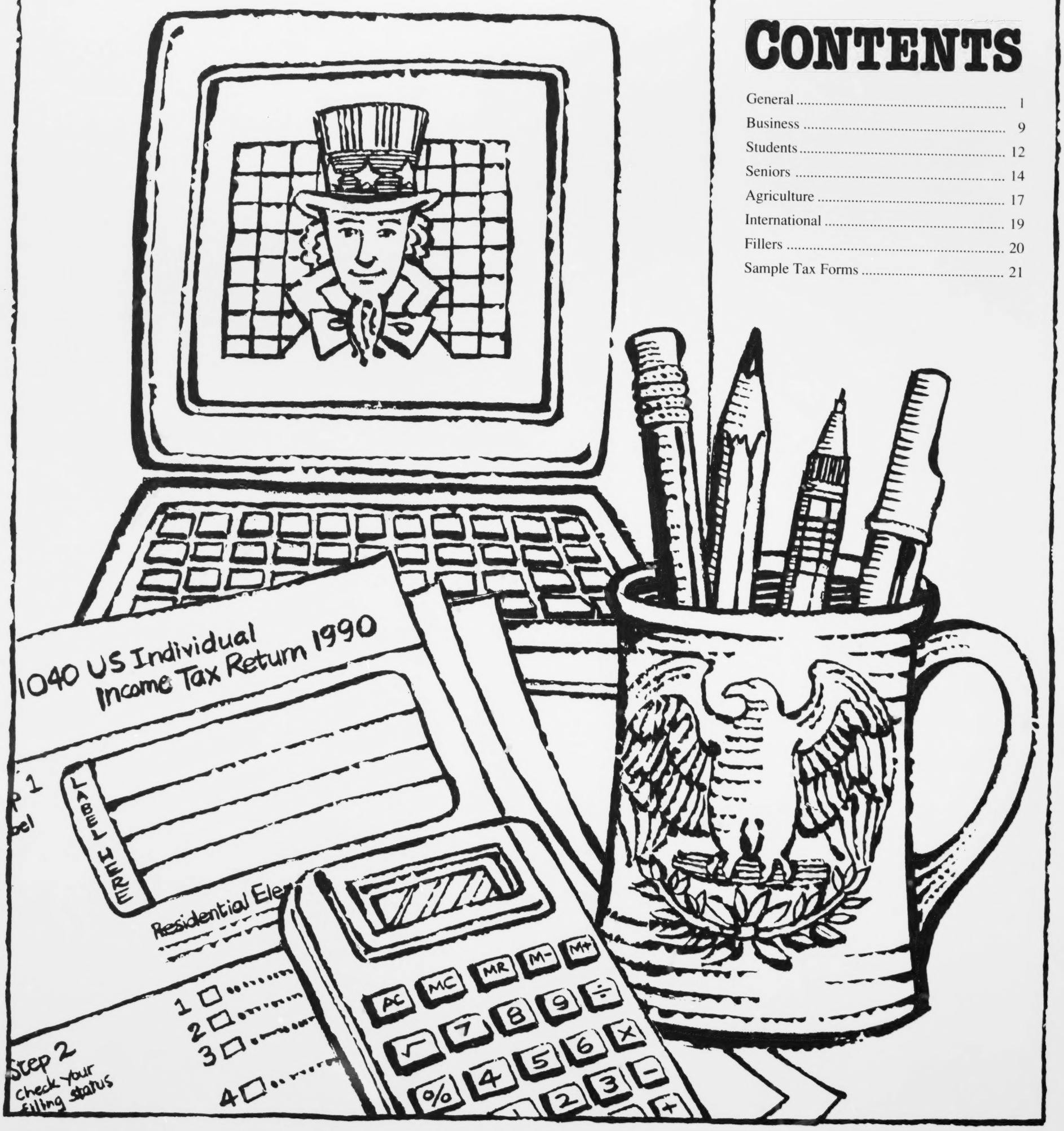
1049 B/991

1991 Tax Supplement



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Department of the Treasury **Internal Revenue Service** Publication 1049B (Rev. 10-90)

Catalog No. 62319Q

T22.44/2:

Fund '92 Campaign

By checking a special box on your federal income tax form, you can participate in financing the 1992 Presidential Election Campaign. The fund was established by Congress to help pay for presidential election campaigns.

Mark the "Yes" box on your tax return if you wish to have $1 go to this campaign. On a joint return, both you and your spouse may choose whether or not to contribute.

The contribution does not reduce your tax owed or the amount of your refund.

Tax Credit Given For Care Expenses

Working taxpayers may qualify to claim a credit on their federal tax returns based on child or dependent care expenses.

Depending on the adjusted gross income, the credit could be as much as $720 for one qualifying person or $1,440 for two or more. To qualify for the credit: 1. The taxpayer, and spouse if married, must work or be looking for work, and 2. The qualifying dependent must be your child under age 13, disabled dependent or disabled spouse. There are some exceptions for students and disabled spouses.

To claim the credit, file your return on Form 1040 or Form 1040A. Married taxpayers must file a joint return. Remember, you must list the social security numbers for dependents that have reached 2 years of age, and the name, address and social security number of your dependent care provider or be able to show that you tried to get the information.

Limitations, other important specifics and the calculation of the dependent care credit are in Publication 503, *Child and Dependent Care Expenses*. For a free copy of the IRS publication, call 1-800-829-3676.

Resident or Nonresident: Which One Are You?

Aliens living in the United States may owe taxes. Your tax status can affect the amount you owe. Resident aliens generally are taxed on worldwide income. Nonresident aliens are taxed only on their U.S. sources of income.

If you meet the criteria of either the "green card test" or the "substantial presence test" for tax purposes, you are considered a resident alien.

Green Card Test

The green card test is based on your visa and legal entrance into the United States.

1. If you are a lawful permanent resident of the United States at any time during the calendar year (you have a green card) **and**

2. Your green card has not been abandoned or taken away by Immigration and Naturalization Service (INS).

You are a resident alien.

Substantial Presence Test

The substantial presence test is based on your presence in the United States over the last three years.

1. During the current year, you lived in the U.S. 31 days **and**

2. During the last three years, you must have lived in the U.S. 183 days including:

- at least 1/3 of the days in the year before the current tax year **and**
- at least 1/6 of the days you were present in the second year before the current year.

You are a resident alien for tax purposes.

To find out your tax responsibilities as a non-U.S. citizen, call IRS toll-free on 1-800-829-3676 and ask for English-language Publication 519, *U.S. Tax Guide for Aliens*.

Keep that Check From Going Astray!

Thousands of checks are sent to IRS without proper identification and cannot be applied to taxpayers' accounts.

Prevent your tax payment from going astray. Properly identify and complete the check with the following:

(1) your taxpayer identification number (social security number) and your spouse's number, if it is a joint return, or employer's identification number, if applicable,

(2) the tax period (i.e., 1990, 09/90) and type of tax form associated with the payment (i.e., 1040, 941),

(3) current mailing address and daytime phone number, and

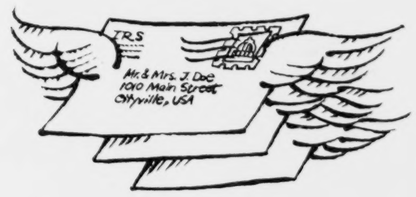
(4) name and taxpayer identification number on the tax account if paying on behalf of someone else (i.e., your child).

Be sure to attach your payment to the front of the tax return. If the check is separated from the tax return or correspondence before the payment is recorded, the data included on the check will identify the payment.

Don't Abandon Your Refund Check

Thousands of taxpayers on the move leave behind their federal income tax refund because the Internal Revenue Service does not have their new address.

Last year the postal service returned more than $40 million in tax refund checks as "undeliverable" because there was no forwarding address.



Changing your address with IRS not only helps get your refund delivered to you, it also ensures that you will receive other important IRS correspondence. Bills or notices of tax deficiency sent to your last known address are legally effective, even if you never receive them.

If you have not yet filed your 1990 tax return and have a new address since your last year's return, correct the address on the mailing label and attach it to the return when you file it. The IRS will update your records when the return is processed.

When you move or otherwise change your address, write to the IRS service center where you filed your last return and provide them with your new address. The service centers are listed in the tax package. The IRS needs your full name, signature, old and new addresses and your social security numbers to process the change of address. Filers of joint returns should provide this information for both spouses.

To order Form 8822, "Change of Address," call IRS at 1-800-TAX-FORM (1-800-829-3676).

IRS Holds Tax Class

In 1990, members of over 8000 groups and associations received help with their federal tax returns through a program called Community Outreach Tax Education. Major tax law changes, line-by-line preparation of federal tax returns and information of interest to fishermen and seniors were a few of the topics covered in seminars last year.

Convenient times and locations may be arranged through local IRS Taxpayer Education Coordinators. Call IRS toll-free at 1-800-829-1040 and ask for the Taxpayer Education Coordinator.

Electronic Filing Speeds Refunds

Weeks can be shaved off the wait for your refund by filing your federal income tax return electronically.

Once the IRS has accepted your return, your refund will be issued in three weeks. If you elect to have your refund deposited directly into your savings or checking account, you will receive your money even sooner.

To participate in this exciting way to file your tax return, contact one of the many tax professionals in your community who are accepted by IRS as electronic filers. Most charge a fee for their services and transmission of your return.

You'll need to bring a completed tax return, copies of your Form W-2, "Wage and Tax Statement," and sign an authorization form for transmission of your federal tax return.

ELECTRONIC TAX FILING

Breakup May Impact on Taxes

A divorce or separation changes many aspects of your life, including your taxes. Filing status, exemptions for dependents, alimony and child support payments are a few of the issues to consider.

Marital Status

Your marital status affects your filing status and influences the deductions and credits which you may claim. On the last day of the tax year, you are generally considered unmarried if you have a legal separation under:

- a decree of divorce or
- a decree of separate maintenance.

Claiming Dependents

Generally, you may claim an exemption for persons, such as children or relatives, who meet the dependency tests. If you're divorced or legally separated, a dependent child may be claimed by only one parent. You may claim your children if:

- you are the custodial parent and the dependency requirements are met **or**
- if you are the noncustodial parent and the custodial parent has signed Form 8332, "Release of Claim to Exemption for Child of Divorced or Separated Parents," or similar statement.

Decrees or written agreements before 1985 have special provisions.

Income and Deductions

Payments

Alimony and separate maintenance payments must be included in the recipient's income and may be deducted from the payor's income on his or her tax return.

Child support payments are not considered income to the recipient nor are they a deduction for the payor.

Legal fees and court costs for getting a divorce are not deductible. However, if the legal fees included tax advice relating to your divorce, that portion may be an itemized deduction.

Withholding

Changes in filing status, exemptions and deductions impact the amount of tax that should be withheld from your pay. Review your Form W-4 to increase or decrease your withholding.

For a detailed discussion on tax topics relating to divorced or separated taxpayers, order Publication 504, *Tax Information for Divorced or Separated Individuals*, by calling the IRS toll- free number, 1-800-TAX-FORM (1-800-829-3676).

Time Running Out? Extend with 4868

If you're running out of time to file your federal tax return, you may qualify for a 4-month extension. Remember, however, filing Form 4868, "Application for Automatic Extension of Time To File U.S. Individual Income Tax Return," only extends the date you are required to file. You still must pay the federal taxes you owe by April 15, 1991. Underpayment of your taxes will result in interest and sometimes penalty charges.

To get a 4-month extension:

1. Send in Form 4868 **with**
2. any taxes owed by April 15, 1991.

Once you are ready to file your return:

1. Use Form 1040 **and** remember to list any payment you made with your extension on line 58 by August 15, 1991 **or**

2. Use Form 1040A **and** write "Form 4868" on line 28d and list any payment you made with your extension by August 15, 1991.

Call IRS toll-free at 1-800-829-3676 to order Form 4868 if you need the automatic 4-month extension. More information on getting extensions is explained in Publication 17, *Your Federal Income Tax*, which is also available free from IRS.

Don't Wait to Estimate for '91

You may have to pay estimated tax during 1991 if you receive income such as self-employment earnings, interest, dividends, prizes and awards.

Most taxpayers do not have to worry about estimating because tax is withheld from their paychecks all year long.

Plan to pay estimated tax during 1991 if you expect:

- to owe $500 or more, and
- the total amount of your tax withheld from 1991 income is less than either: 90% of the tax shown on the 1990 return or 100% of the tax shown on your 1989 tax return. Use whichever is smaller.

Estimated tax may be paid in full or in four installments. The first payment is due by April 15, 1991. Form 1040-ES contains instructions, a worksheet to figure estimated tax and payment vouchers.

When you file your 1991 tax return, use Form 1040 or Form 1040A to be credited for the estimated tax paid.

Further information about estimated tax is in IRS Publication 505, *Tax Withholding and Estimated Tax*. You may order the publication and Form 1040-ES by calling toll-free, 1-800-829-3676.

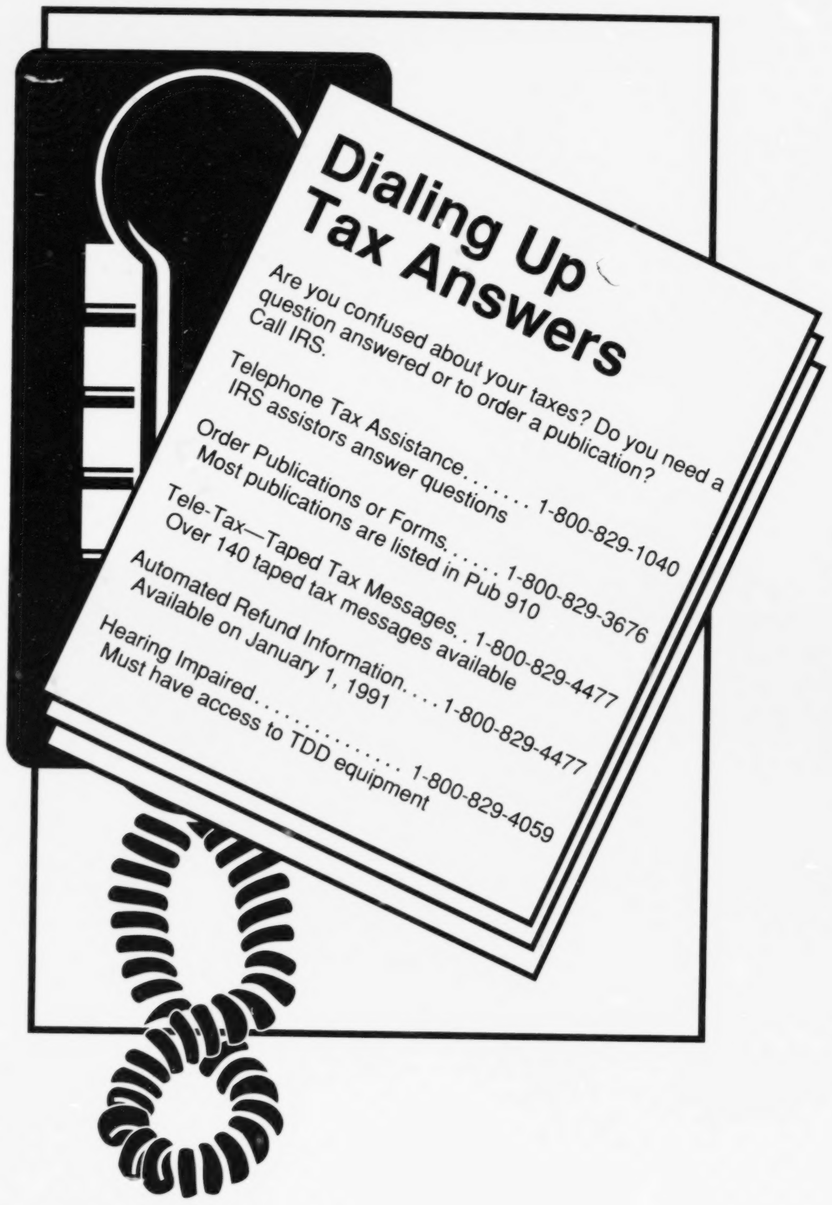
Almost All Income Taxed

All income, whether received in cash, property or services, is taxable, unless specifically exempt.

Everyone knows that salaries and wages are taxed because the tax withheld is listed on your pay stub. But reimbursed moving expenses, bonuses and achievement awards may be included in taxable income. Even certain fringe benefits such as the value of the personal use of a company car should be included.

Alimony, cancelled debts, bartering and other types of taxable income are covered in Publication 525, *Taxable and Nontaxable Income*.

For free copies of IRS publications, call toll-free 1-800-TAX-FORM (1-800-829-3676).


Dialing Up Tax Answers
Are you confused about your taxes? Do you need a question answered or to order a publication? Call IRS.
Telephone Tax Assistance. 1-800-829-1040
IRS assistors answer questions
Order Publications or Forms. 1-800-829-3676
Most publications are listed in Pub 910
Tele-Tax—Taped Tax Messages. . 1-800-829-4477
Over 140 taped tax messages available
Automated Refund Information. . . . 1-800-829-4477
Available on January 1, 1991
Hearing Impaired. 1-800-829-4059
Must have access to TDD equipment

Tax Filing Reminders

- Write your correct social security number clearly on your tax return to avoid delay of your refund check.
- Be sure your completed tax form has enough postage.
- Double-check your math before mailing your return.
- Use the proper tax table for your income and filing status.
- Use both the peel-off label and envelope (if provided) from your tax package. Make needed address changes on the label.
- Sign and date your tax return (if filing jointly, your spouse also signs).

Qualifying for The Earned Income Credit

You may be able to reduce your taxes if you have a child and your earned income is less that $20,264.

The credit may be as much as $953, depending on your earned income. You must file a tax return on Form 1040 or Form 1040A to receive the credit, and if you don't owe any tax, you probably will be sent a refund.

The qualifications to claim the earned income credit are:

- You must have a "qualifying" child living with you for more than 6 months of the year or full year for a foster child or dependent of a qualifying widow(er).
- Your filing status on your federal tax return must be one of the following: married filing jointly, qualifying widow(er) with dependent child or head of household. There are specific requirements for each filing status.
- You must live in the United States.
- You must have earned income during the year.

Earned income includes wages, salaries, tips, other employee compensation, net earnings from self-employment, and union strike benefits. It also includes anything of value—money, goods or services—that you get from your employer for services you performed, whether or not it is taxable. Examples include quarters and subsistance allowances received by military personnel or the rental value of a parsonage provided to a member of the clergy.

Earned income does not include interest, dividends, welfare benefits, veterans' benefits, pensions or annuities, alimony, social security payments, workers' compensation, unemployment benefits, taxable scholarhips or fellowships.

- Both your earned income and your adjusted gross income must be below $20,264.
- You may not take the foreign income credit.
- Your return must be for a 12-month period.

If you think you will be eligible for the earned income credit in 1991, you may choose to get the credit in advance. The credit will be added regularly to your pay.

Further information on the earned income credit, including elegibility requirements, filing status requirements, and definition of "qualifying" child, is in Publication 17, *Your Federal Income Tax*. For a free copy of the publication, call toll-free 1-800-829-3676. If you need additional help with the earned income credit, call or visit your local IRS office.

Tax Bill Reduced by Home Expenses

Taxes can hit you right where you live. But if you own your home, many of your expenses can reduce your tax bill.

Real estate taxes, mortgage interest and replacing a roof are some expenses that affect your taxes by increasing your itemized deductions or reducing a gain on the sale of your home.

Buying Your Home

Basis: Basis is a way of measuring your investment for tax purposes. It is important to know your basis when selling a home or figuring a loss as a result of a casualty. An explanation of "basis" may be found in Publication 551, *Basis of Assets*.

Points: You may deduct qualifying points if the loan is used to buy or improve your main home. The additional requirements that must be met to take this deduction may be found in IRS Publication 530, *Tax Information for Homeowners*.

Closing Costs: Your portion of property taxes paid at settlement is deductible.

Owning Your Home

Home Improvement and Repair Records: Keep receipts for your home improvements. They will be added to your basis. Repairs for ordinary upkeep such as painting or gutter repair are not deductible.

However, if you pay these costs as part of a remodeling or restoration project, the entire cost is considered "home improvement" and is ordinarily an addition to the basis.

Mortgage Interest: You may deduct qualifying mortgage interest as an itemized deduction on Schedule A (Form 1040). See Publication 936, *Limits on Home Mortgage Interest Deduction*, for any restrictions that may apply to you.

Taxes: The qualifying assessed property tax you pay is an itemized deduction listed on Schedule A (Form 1040). Be sure the deduction is for the qualifying assessed property tax, not the amount placed in escrow by your lender to cover property tax.

Casualty and Theft Losses: Although limited, personal property loss due to casualty or theft may be deductible. Insurance reimbursements will affect the deduction. Publication 530, *Tax Information for Homeowners*, discusses deductible loss and how to calculate it.

Selling Your Home

Postponement of Tax: Generally, paying the tax on the gain from the sale of your main home may be postponed if you buy a new home within two years before or after the sale and if the purchase price is at least as much as the adjusted sales price of the old home.

Selling Expenses: Selling expenses include commissions, advertising, loan charges (seller's points) and legal fees. These expenses are subtracted from the selling price of your old home in order to determine your realized gain, which is the amount you must spend on your next house in order to postpone the tax on any gain.

Fixing-up Expenses: Decorating and repairs done in order to sell your home may affect the amount of gain on which the tax is postponed, but the costs can't be deducted from actual profit. Publication 523, *Tax Information on Selling Your Home*, covers all the limitations to fixing-up expenses and many other tax issues related to selling your home.

Many IRS publications discuss the tax consequenses of homeownership and other related issues. To order free publications and forms, call toll-free 1-800-829-3676. A few are listed below.

Publications/Forms of Interest to the Homeowner

Publication 523, *Tax Information on Selling Your Home*
Publication 530, *Tax Information for Homeowners (Including Owners of Condominiums and Cooperative Apartments)*
Publication 545, *Interest Expense*
Publication 551, *Basis of Assets*
Publication 587, *Business Use of Your Home*
Publication 936, *Limits on Home Mortgage Interest Deduction*
Form 2119, "Sale of Your Home"

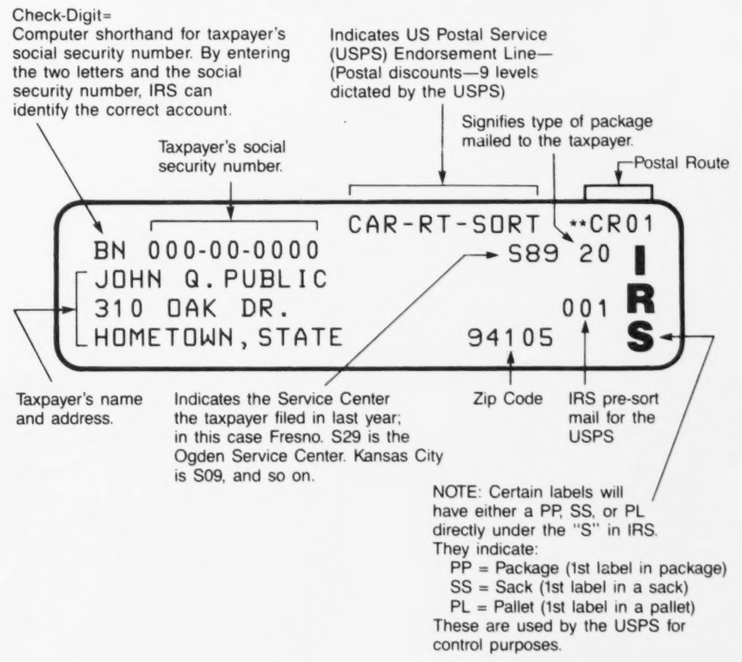
Using IRS Label Avoids Delays

To get your refund faster, use the preprinted label that comes with your tax package. The label contains the information IRS needs to promptly and properly process your tax return.

An illegible or incorrect social security number is one of the most common errors and slows down processing of your tax return. Your social security number, name, address and other relevant tax information are all contained on the label.

If corrections are necessary, make them directly on the label before mailing your federal tax return.

The Preprinted Label


Check-Digit=
Computer shorthand for taxpayer's social security number. By entering the two letters and the social security number, IRS can identify the correct account.
Indicates US Postal Service (USPS) Endorsement Line—(Postal discounts—9 levels dictated by the USPS)
Signifies type of package mailed to the taxpayer.
Postal Route
Taxpayer's social security number.
CAR-RT-SORT **CR01
BN 000-00-0000
S89 20
I
JOHN Q. PUBLIC
310 OAK DR.
001
R
HOMETOWN, STATE
94105
S
Taxpayer's name and address.
Indicates the Service Center the taxpayer filed in last year; in this case Fresno. S29 is the Ogden Service Center. Kansas City is S09, and so on.
Zip Code
IRS pre-sort mail for the USPS
NOTE: Certain labels will have either a PP, SS, or PL directly under the "S" in IRS. They indicate:
PP = Package (1st label in package)
SS = Sack (1st label in a sack)
PL = Pallet (1st label in a pallet)
These are used by the USPS for control purposes.

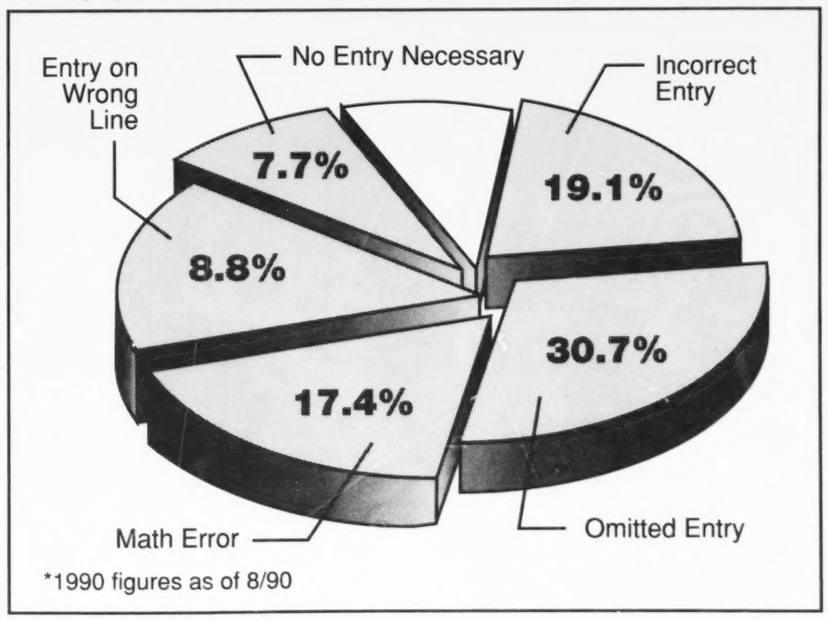
Checking It Twice For Quick Refunds

More than eleven million federal income tax returns for 1989 had taxpayer errors. Miscalculations and missing information such as social security numbers make up almost half of all taxpayer errors made on returns.

These kinds of mistakes can add two weeks or more to the normal eight-week processing time. If you take time to double check your return for these common errors, a speedy refund may be your reward.

Five Most Common Taxpayer Errors

These five most common errors make up more than half of all taxpayers' errors on their federal tax returns.



*1990 figures as of 8/90

Power of Attorney Not Necessary

You can have assistance with your taxes and have the final word by using new IRS Form 8821, "Tax Information Authorization."

Form 8821 authorizes IRS to send your appointees only those income tax returns you list. You may also have one or more appointee(s) receive notices and other written communications without giving them power to act on your behalf.

For one-time authorizations, such as requests to verify income or information on student loans, use Form 8821.

If you want an individual to have the authority to represent you and/or act on your behalf, such as the execution of waivers, consents, closing agreements, signing returns or receiving refund checks, use Form 2848, "Power of Attorney and Declaration of Representative."

All IRS forms are free and may be ordered by calling IRS toll-free 1-800-TAX-FORM (1-800-829-3676).

Medical Expenses May Be Deductible

Prescription drugs or the annual dental check-up may be included in a medical expense deduction.

To deduct qualified medical expenses, taxpayers:

1. must itemize their deductions,
2. have unreimbursed medical costs that exceed 7.5 percent of their adjusted gross income, and
3. have paid for the allowable medical services.

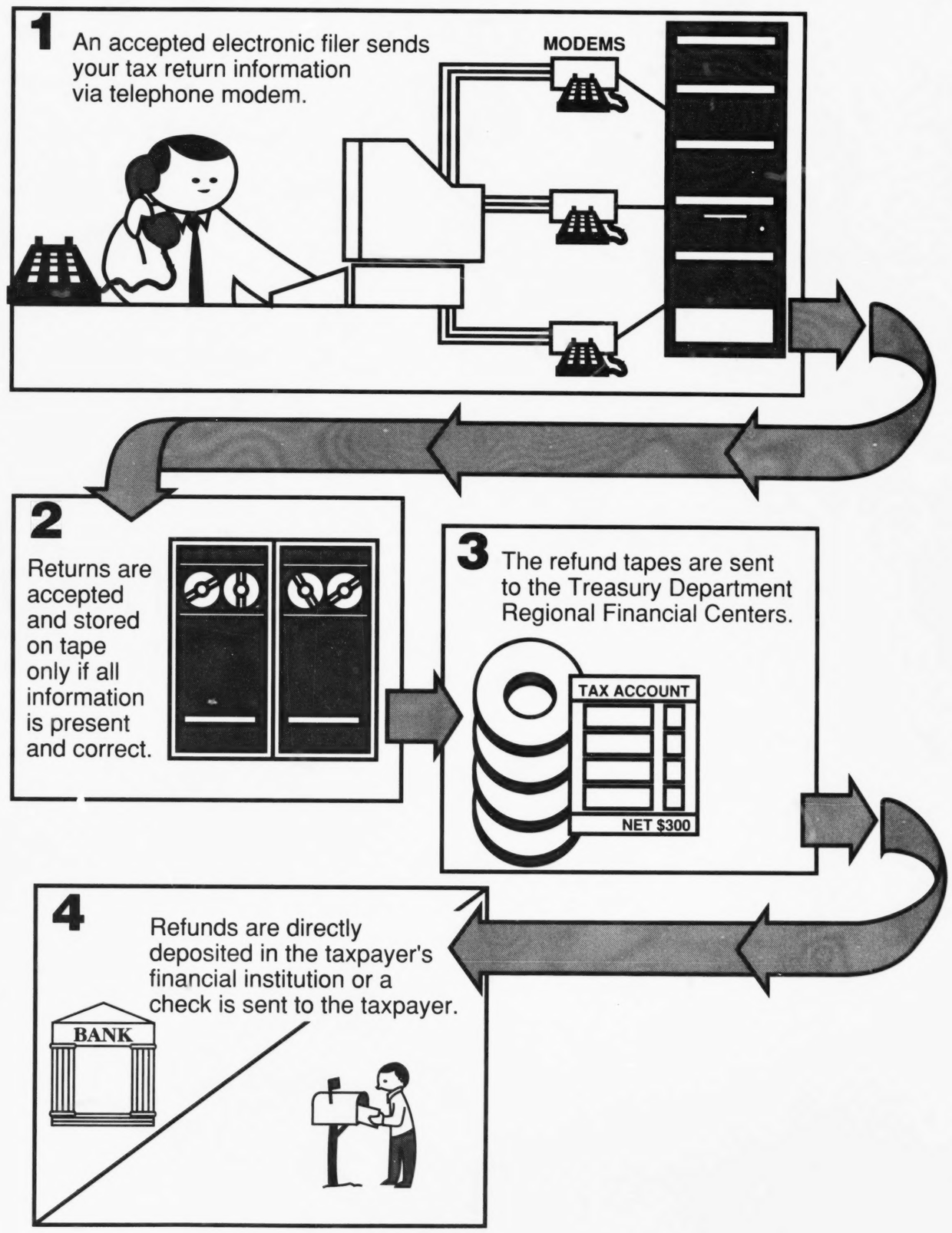
The costs of most visits to the doctor and dentist qualify as allowable medical expenses. Medical insurance, special care equipment and cost of transportation to obtain medical care may be considered medical expenses. Also, all medical payments for dependents and spouse may be included.

A record of all medical expenses should be kept so that you can decide whether there are enough expenses to itemize or to support the deduction on the tax return. Some pharmacies will provide monthly and year-end statements for charge customers that distinguish between medical and non-medical expenses. For tax purposes, receipts, cancelled checks or a log are acceptable forms of recordkeeping.

For the specifics on medical expenses, order free IRS Publication 502, *Medical and Dental Expenses*. An order form is included in the tax package.

Four Steps to a Quick Refund

The journey of the electronically filed tax return.


1
An accepted electronic filer sends your tax return information via telephone modem.
MODEMS
2
Returns are accepted and stored on tape only if all information is present and correct.
3
The refund tapes are sent to the Treasury Department Regional Financial Centers.
TAX ACCOUNT
NET $300
4
Refunds are directly deposited in the taxpayer's financial institution or a check is sent to the taxpayer.
BANK

Tax "Pub" Just for Armed Forces

Publication 3, *Tax Information for Military Personnel*, is available to help the nation's three million members of the Armed Forces with their federal tax returns.

Major tax issues discussed are: items included in gross income, such as basic pay, bonuses for re-enlistment, and special pay for aviation career incentives and hazardous duty; items excluded from gross income, such as certain allowances for living, family, moving, and travel expenses; dependency exemptions; sale of a home and itemized deductions. Examples are used throughout the booklet to illustrate filing instructions and tax advice.

Publication 3 can be ordered by using the order blank in your tax package or by calling toll-free, 1-800-829-3676.

Injured Spouse May Retrieve Refund

Taxpayers who have debts such as federal student loans or child support payments may have all or part of their refunds taken to offset the debt. Sometimes, not only is the debtor's refund held back, but also the spouses?

In such a case, the ''injured spouse'' may file to get his or her refund back.

To be considered an injured spouse, the taxpayer must have:

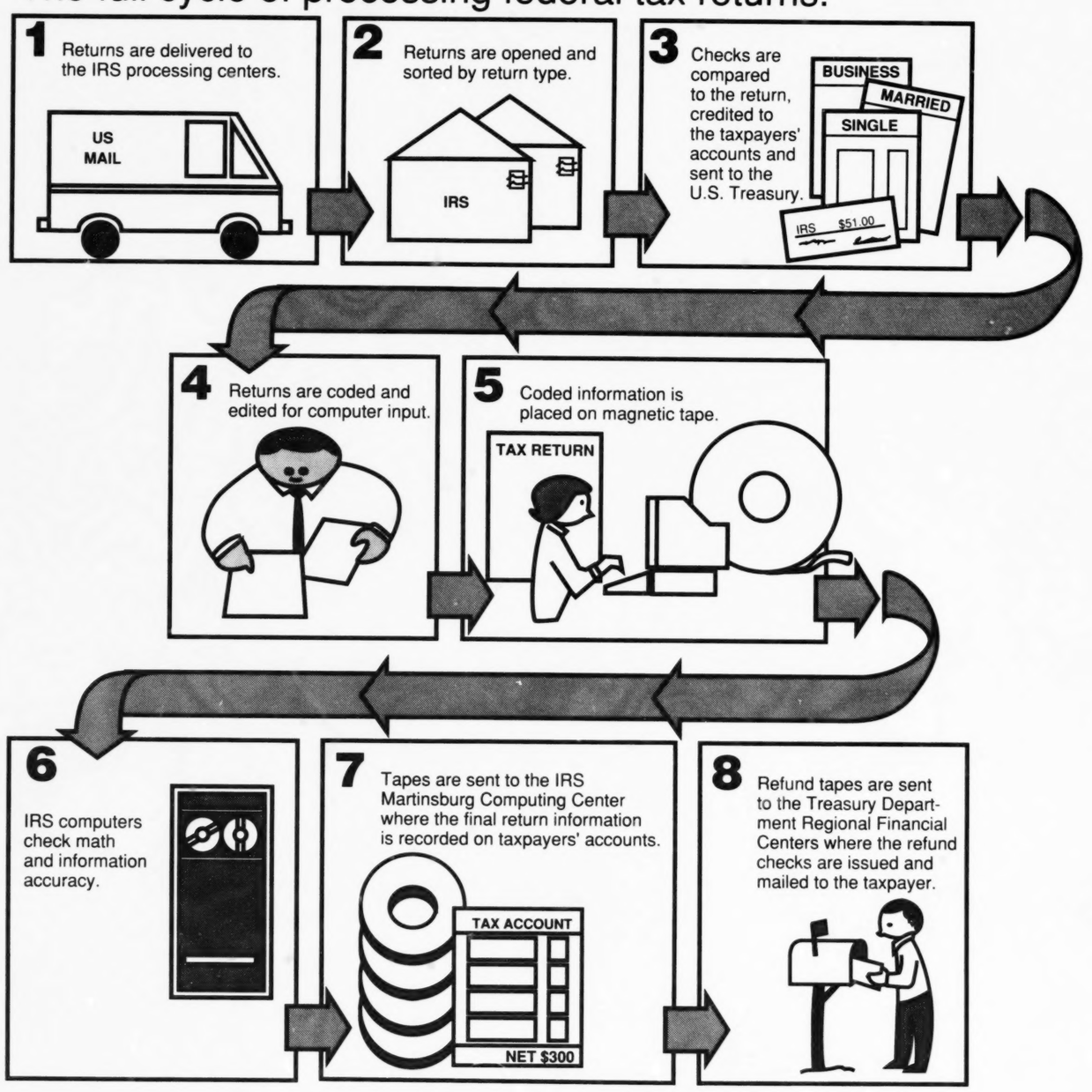
- had income;
- made tax payments through withholding or estimated tax;
- reported both income and tax payments on the joint federal income tax return; and
- had all or part of the overpayment attributable to his/her income and tax payments offset to pay the spouse's debts.

A husband or wife who qualifies as an injured spouse should file Form 1040X, ''Amended U.S. Individual Income Tax Return,'' and Form 8379, ''Injured Spouse Allocation,'' with the IRS.

Copies of IRS Forms 1040X, 8379 and instructions may be ordered by calling 1-800-829-3676 (1-800-TAX-FORM).

From the Mail Box to Refund Check

The full cycle of processing federal tax returns.


1
Returns are delivered to the IRS processing centers.
US MAIL
2
Returns are opened and sorted by return type.
IRS
3
Checks are compared to the return, credited to the taxpayers' accounts and sent to the U.S. Treasury.
BUSINESS
MARRIED
SINGLE
IRS $51.00
4
Returns are coded and edited for computer input.
5
Coded information is placed on magnetic tape.
TAX RETURN
6
IRS computers check math and information accuracy.
7
Tapes are sent to the IRS Martinsburg Computing Center where the final return information is recorded on taxpayers' accounts.
TAX ACCOUNT
NET $300
8
Refund tapes are sent to the Treasury Department Regional Financial Centers where the refund checks are issued and mailed to the taxpayer.

PROs to the Rescue

If you've tried to clear up a tax problem with IRS and haven't had any success, call the Problem Resolution Office. It's the job of the problem resolution officer to solve persistent tax problems.

Can Do

The problem resolution officer can help you with:

- **status of your refund** if it has been at least 90 days since you filed your return or claim for a refund and you've previously contacted the IRS.
- **tax information and assistance** if more than 45 days have passed since you requested help.
- **notices** to which you have already responded and have now received a third notice.
- **problems** that remain after discusssing an IRS employee's recommendations or action with that employee's supervisor.
- **IRS actions** that are incorrect.
- **suspending IRS actions** if you are suffering a significant hardship.

Can't Do

The problem resolution officers' authority does not include:

- **Appealing** technical determinations in an audit.
- **Resolving cases** that involve Freedom of Information or Privacy Act requests, IRS employee conduct, personnel issues or cases under criminal investigation.

If you need the IRS ''problem solvers,'' call the local IRS office and ask for the Problem Resolution Officer. Taxpayers with telecommunication device equipment for the deaf (TDD) may call 1- 800-829-4059 to get PRP assistance.

Anticipated Refunds

It takes approximately eight weeks to process your federal tax return. Generally, returns filed in January and February take less time than those filed in April. The chart below gives an approximation of when to expect your refund.

Mail Return In Week Ending		Expect Your Refund In Week Ending	
January	4	March	1
	11		8
	18		15
	25		22
February	1		29
	8	April	5
	15		12
	22		19
March	1		26
	8	May	3
	15		10
	22		17
	29		24
April	5		31
	12	June	7
	19		14
	26		21

If you have not received your refund by the date suggested above, you may call the Automated Refund System toll-free at 1-800-829-4477 to get the status of your refund.

Automated Refund System

Days:	Monday - Friday
Hours:	Push button phones—7 a.m. - 11 p.m. Rotary phones—local business hours
Before you call, you'll need:	1. Social security number(s) 2. Filing status 3. Exact amount of expected refund
When to call:	Eight weeks after you filed your return
Best day to call:	Wednesday
Best time to call:	In the morning
How often is the refund information updated?	Once a week

A Bill You Won't Mind Receiving

Your right to be treated fairly, professionally, promptly and courteously by the IRS is protected by many laws including the recent Taxpayer's Bill of Rights. A summary of your rights appears in Publication 1, *Your Rights as a Taxpayer*. Highlights include:

Privacy and Confidentiality: Personal and financial information must be kept confidential.

Free Information and Help in Preparing Returns: The IRS provides free publications, telephone and walk-in assistance.

Payment of the Correct Amount of Tax: You are liable only for the least amount of tax due under the law. If your return is questioned, the IRS must send you a letter requesting more information or state a reason why a change needs to be made on your return. You have the right to ask that the time and place for an audit of your return is convenient for both you and the IRS. You also have the right to have an attorney, certified public accountant, enrolled agent or other authorized person to represent you or be present during an interview.

Cancellation of Penalties: If you received erroneous advice from IRS employees, you have the right to request that certain penalties, but not interest, be cancelled. You must show that your reliance on the advice was reasonable and that you filed your return after you received that advice. According to the IRS, information that assists in determining whether there is reasonable cause with regard to erroneous advice includes such matters as: whether the taxpayer tried to find the answer to the question from IRS forms, instructions or publications; the question asked and the specific facts given to the IRS employee; the answer the taxpayer received; the employee's name; and the date and time of the call.

Appeal of Examination Findings: You have the right to appeal if you don't agree with the examiner's audit findings. Publication 5, *Appeal Rights and Preparation of Protests for Unagreed Cases*, explains your appeal rights in detail.

Fair Collection of Tax: Whenever you owe additional tax, the IRS will send you a bill describing the tax and stating the amount you owe. You should make every effort to pay your bill in full. Notify the IRS at once if you can't pay; you may qualify for an installment agreement.

Special Help to Resolve Problems: If you have a tax problem that you can't clear up through normal channels, write or call the Problem Resolution Office in the IRS district or service center where you have the problem. You may request assistance on Form 911, "Application for Taxpayer Assistance Order to Relieve Hardship," if you will suffer a significant hardship because of the administration of the tax laws. The Problem Resolution Office cannot resolve disputes over tax law.

Refunds: You will receive interest on any delayed refund. You should receive your refund within 45 days after the April 15th due date or the date you filed your federal tax return, whichever is later.

Your taxpayer rights are explained in Publication 1, *Your Rights as a Taxpayer*. For a copy of the publication, call toll-free 1-800-829-3676.

Sailing Permits, A Must for Aliens

Sailing permits are a must for aliens before leaving the United States.

A sailing permit is a certificate of compliance which you fill out upon your departure that establishes whether or not you owe any U.S. taxes.

Apply for your sailing permit at your local IRS district office no more than 30 days before departure. But allow at least two weeks for processing in case there should be any questions on your paperwork.

Bring all documentation related to your income and stay in the U.S., such as receipts, cancelled checks and past years' tax returns.

Both Form 1040C and 2063 have the "certificate of compliance" section. Form 2063 is an official tax statement certifying compliance with U.S. tax law. Form 1040C computes any tax you may owe and certifies compliance.

More information on U.S. tax requirements of aliens is available toll-free at 1-800-829-3676. Ask for English-language Publication 519, *U.S. Tax Guide for Aliens*.

Tax Service Available Year Round

Many free IRS services are available to help you prepare your federal income tax return from start to finish.

Publications and Forms

Over 100 publications are available on tax topics ranging from business use of the home to scholarships. Some of these publications are available in Spanish and braille. To order publications and forms, use the order blank in your tax package or call IRS at **1-800-829-3676**.

During the filing season, copies of publications, forms and audio tapes to help you figure your taxes are available. Call your local library to see if they provide these materials.

Over the Phone

- **General Tax Information**
  IRS representatives are prepared to answer general tax questions at **1-800-829-1040**. Hearing-impaired taxpayers with TDD equipment may call **1-800-829-4059**.
- **Recorded Tax Information**
  This automated tax information system is available year round. Approximately 140 recorded tax topics are available through the "Tele-Tax" system. All callers may use Tele-Tax during business hours; push button callers may call 24 hours a day, seven days a week.
- **Refund Information**
  After **January 1, 1991**, you can check on the status of your tax refund by calling **1-800-829-4477**. The information is updated once a week. Have the following information handy:

1. Your social security number and your spouse's number, if you're filing a joint return
2. your filing status, and
3. the exact amount of your expected refund.

In Person

IRS representatives and volunteers are available during the filing season to give personal assistance. Call 1-800-829-1040 for the walk-in site or volunteer site nearest you.

- **Walk-In Assistance**
  As well as answering technical questions and providing forms and publications, some local IRS offices will help groups of taxpayers complete their tax returns.
- **Volunteers**
  Thousands of IRS-trained volunteers prepare basic tax returns for their neighbors every year. **VITA**, the Volunteer Income Tax Assistance program, has convenient locations throughout the country to assist persons with disabilities, non-English speaking taxpayers and others with their taxes. **TCE**, Tax Counseling For The Elderly, focuses on helping those age 60 years or older prepare their own returns.

IRS Speaks Spanish

Spanish-language publications and tax assistance are available free from the Internal Revenue Service to help taxpayers complete their federal tax returns. The services listed below are available throughout the country.

Publications

Free publications and forms may be ordered by using the form provided in your tax package or calling IRS toll-free 1-800-829-3676.

1S *Derechos del Contribuyente* (Your Rights as a Taxpayer) This publication clarifies the individual's rights at each step in the tax process.

179 *Circular PR, Gúia Contributiva Federal Para Patronos Puertorriqueños* (Federal Tax Guide for Employers in Puerto Rico).

433 (Notice) "Las Tasas anuales de interes y de ciertas multas" (Yearly Interest and Certain Penalty Rates) This publication explains the interest rate on underpayment and overpayment of taxes and describes the right to appeal. (bilingual)

556S *Revisión de las Declaraciones de impuesto, Derecho de Apelación y Reclamaciones de Reembolso* (Examination of Returns, Appeal Rights, and Claims for Refund).

746SP *Información sobre su aviso, multa e interes* (Information About Your Notice, Penalty and Interest). (bilingual)

579S *Comó Preparar la Declaracion de Impuesto Federal* (How to Prepare the Federal Income Tax Return).

586S *Proceso de Cobro (Duedas del Impuesto Sobre Ingreso)* The Collection Process (Income Tax Accounts).

594S *Proceso de cobro/Deudas del impuesto por razón del empleo* (The Collection Process/Employment Tax Accounts).

Service Over the Phone

Getting answers to tax questions may be as easy as dialing the phone.

IRS representatives are available to answer basic questions regarding your tax return and correspondence with the IRS. Check the phone directory for the local IRS phone number. Some offices may have Spanish-language speakers available to answer tax questions.

Tele-Tax

Tele-Tax is recorded tax information on about 140 tax topics. Listed below are the topics available in Spanish. Call the Tele-Tax telephone number listed in the tax package.

#751 Who must file?
#752 Which form to use?
#753 What is your filing status?
#754 Earned income credit
#755 Highlights of 1990 Tax Changes
#756 Forms and Publications - How to order
#757 Alien Tax Clearance
#758 Refunds - How long they should take.
#759 IRS help available - Volunteer tax assistance program, toll-free telephone, walk-in assistance and outreach program.
#760 Social Security and Equivalent Railroad Retirement Benefits.

For additional programs and free services provided in Spanish, call your local IRS Taxpayer Education Coordinator.

New Form for Business Filers

It's green and white and simplified all over. It's one of the Internal Revenue Service's latest entries in tax forms, Form 940-EZ, *Employer's Annual Federal Unemployment (FUTA) Tax Return*.

The IRS estimates that about 85 percent of all existing Form 940 filers will be able to use the new form, which made its first appearance in 1989. In order to use the form, the business must have timely paid unemployment contributions to only one state.

The new Form 940-EZ is easily distinguished from its parent form by its green type and streamlined appearance. The two-part format and simplified instructions should save time for small businesses with uncomplicated tax situations and many household employers.

Form 940-EZ, like Form 940, must be filed by January 31 following the close of the calendar year for which the tax is due.

The form is included in Publication 393, *Federal Employment Tax Forms*, as well as Package 942, ''Household Employer Tax Forms.'' New employers may order a copy from the IRS by calling toll-free 1-800-829-3676.

Home Office Deduction Limited

Home office expenses must meet certain requirements to be deductible.

A major requirement for a home office expense deduction is ''exclusive and regular'' use of a portion of the home for a trade or business. For example, an insurance agent who uses a room most days to meet clients, do paperwork and correspond with clients uses the room regularly. However, if he or she uses the room to relax on weekends or to work on personal finances, the exclusive use requirement has not been met.

In addition, an employee, as opposed to a self-employed person, using a home office must be doing so for the ''convenience of the employer.'' Expenses for a home office that is merely helpful to the employee or employer cannot be deducted.

For other qualifications for home office expense deductions, order free IRS Publication 587, *Business Use of Your Home*, by calling 1-800-TAX-FORM (1-800-829-3676).

Choose Actual or Standard Mileage

Many taxpayers who use their cars for business purposes find that deciphering federal tax laws about deducting auto expenses is like following a complicated road map.

Taxpayers who itemize their deductions may be able to deduct all or part of their auto expenses such as gas, oil, lease or rental fees, insurance, tolls and repairs if they are employee business expenses. Commuting expenses—going to and from work—are not deductible.

Taxpayers must choose the method they intend to use when calculating the deduction--either ''actual expenses'' or the ''standard mileage rate.'' This election must be made in the first year the car was placed in service for business.

If the standard mileage rate is used for the first year the car is placed in service, either method of calculating the deduction can be used in later years. Special depreciation rules apply if the actual expense method is used in later years. However, if actual expenses are deducted for the first year, the actual expense method of calculating the deduction must be used in subsequent years.

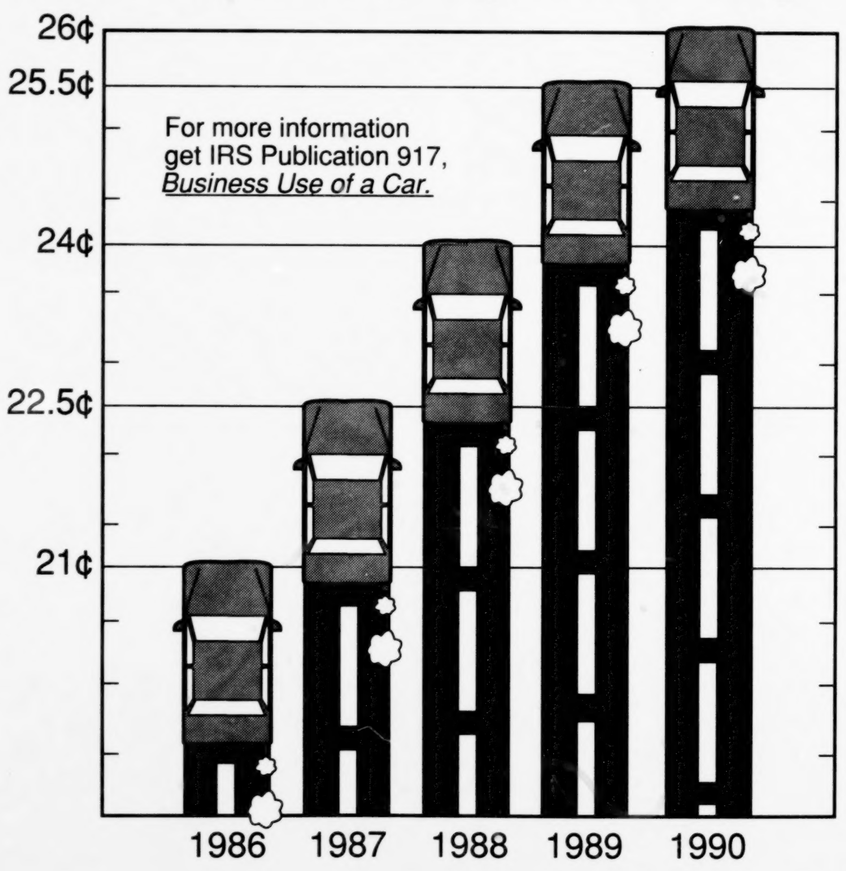
In order to use the standard mileage rate, taxpayers must (1) own the car, (2) not use the car for hire, such as a taxi and (3) not operate a fleet of cars.

The standard mileage rate for tax year 1990 is 26 cents per mile. The ceiling for using the standard mileage rate for only the first 15,000 miles has been rescinded for tax year 1990.

Report deductible expenses for business use of a car on IRS Form 2106, ''Employee Business Expenses.''

For a more complete explanation of these rules, including topics such as leased cars, depreciation, partial business use and recordkeeping, order Publication 917, *Business Use of a Car*, from the IRS. Call toll-free 1-800-TAX-FORM (1-800-829-3676) to order a free copy. You can also call Tele-Tax, IRS recorded tax information, toll-free at 1-800-829-4477 and ask for topic 310.

Standard Mileage Rate Up!



Tax Coupons are a Business Must

Accurate federal tax deposits (FTD) are a must for business employers.

IRS provides business employers with FTD coupons pre-printed with the employer's name, address and employer identification number (EIN) to deposit employment taxes. Employers should fill in the type of tax being paid, the period to which the payment is to be credited and the dollar amount.

To avoid a penalty, deposits **must** be made at a qualified depository for federal taxes or a Federal Reserve Bank.

The coupon booklet contains a reorder form. Employers should monitor supplies and reorder early since it can take up to six weeks to process the order. New businesses receive a supply of FTD coupons automatically upon requesting an EIN.

For more information on depositing taxes, call 1-800-TAX-FORM (1-800-829-3676) and ask for Publication 15 (Circular E), *Employer's Tax Guide*.

New business owners who would like help in understanding federal employment and business taxes can contact the nearest IRS office and ask for the Taxpayer Education Coordinator to enroll them in a Small Business Tax Education Program (STEP) seminar or workshop.

Claiming Business Expenses

In the course of business, employees sometimes incur expenses which may be claimed as itemized deductions.

These expenses must be both ordinary and necessary in the employee's trade or business.

Careful records must be kept to verify business expenses. Business records include receipts and a detailed log of dates, places, business persons attending and other relevant information.

For more information on qualifications, exceptions and limitations, as well as reporting instructions, call 1-800-TAX-FORM (1-800-829-3676) and order Publication 463, *Travel, Entertainment, and Gift Expenses*.

Employer-Provided Education Taxable?

After September 30, 1990, employees who received educational assistance from their employers may have to include the assistance as income on their 1990 tax return.

Previously, educational assistance up to $5,250 was automatically excluded from employees' income. After the expiration date, employer-provided educational assistance must be included in an employees' income unless it is considered an ordinary and nesessary business expense for that trade or business.

Generally, educational assistance need not be included in income if the same education paid by the employee would be deductible as an ordinary and necessary employee business expense.

Dedictible employment-related educational expenses:

- maintain or improve skills required by an employee in his or her present work or
- are required by the employer to maintain the employee's salary, status or job.

Employees should always check with their employers on how to handle educational assistance for tax purposes. Some employers offer an educational assistance plan that is part of a larger package of fringe benefits. The tax status of educational assistance under these plans may differ.

For more information on employer-provided educational assistance call 1-800-829-3676 (1-800-TAX-FORM) to order IRS Publication 508, *Educational Expenses*, and IRS Publication 525, *Taxable and Nontaxable Income*.

Passive Loss Rules Affect Rentals

Taxpayers with rental property should be especially aware of limits on losses due to passive activities.

Real estate rentals are passive activities, and therefore, the losses are subject to limitations. Form 8582 must be used to compute passive activity loss limitations. The income and expenses are reported on Schedule E (Form 1040), "Supplemental Income and Loss."

For more information on passive and active losses, exceptions and limitations, call 1-800-TAX-FORM (1-800-829-3676) and order Publication 925, *Passive Activity and At-Risk Rules*.

How Much Social Security Tax Did You Pay?

Employers withhold social security tax from wages, match the employee's contribution and report the whole amount to the Social Security Administration. Only the employee's contribution is reflected on a pay stub or Form W-2.

Social Security (FICA) Tax Rate Table

Calendar Years	Maximum wages subject to FICA	Employee's portion of FICA	Total FICA reported to Social Security Administration
1980	25,900	6.13	12.26
1981	29,700	6.65	13.30
1982	32,400	6.70	13.40
1983	35,700	6.70	13.40
1984	37,800	6.70	13.70
1985	39,600	7.05	14.10
1986	42,000	7.15	14.30
1987	43,800	7.15	14.30
1988	45,000	7.51	15.02
1989	48,000	7.51	15.02
1990	51,300	7.65	15.30

Find Out If You're an Employee or Not

Whether you are considered an employee or an independent contractor determines not only how you pay your taxes, but also what kind and how much.

Generally, an employee is under the control of an employer about when, where and how to work.

An independent contractor, on the other hand, is responsible to an employer only for the successful completion of the job. The independent contractor, rather than the employer, controls or directs the method and means of accomplishing the job.

Publication 937, *Business Reporting*, lists 20 factors used to determine if you are an employee. If you want the Internal Revenue Service to judge your status, fill out Form SS-8, "Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding," and send it to your IRS District Director.

Both Publication 937 and Form SS-8 may be ordered by calling 1-800-TAX-FORM (1-800-829-3676).

The standard mileage rate for tax year 1990 is 26 cents per mile.The ceiling for using the standard mileage rate for the first 15,000 miles only has been rescinded for tax year 1990.

Report deductible expenses for business use of a car on IRS Form 2106, *Employee Business Expenses*.

For a more complete explanation of these rules, including topics such as leased cars, depreciation, partial business use and recordkeeping, order Publication 917, *Business Use of a Car*, from the IRS. Call toll-free 1-800-TAX-FORM (1-800-829-3676) to order a free copy.

Also, you can call Tele-Tax, IRS recorded tax information, toll-free at 1-800-829-4477 and ask for topic 310.

IRS Begins New Deposit Penalty System

Businesses that do not make federal payroll tax deposits on time are subject to a new penalty system.

The amount of penalty IRS charges varies with the length of time it takes to make the required federal tax deposit.

The new penalty system is four-tiered. Beginning in 1990, the failure-to-deposit penalty rates are as follows:

1. two percent for the first five days,
2. five percent for the 6th through the 15th day,
3. 10 percent for more than 15 days and
4. 15 percent if the deposit is not made within 10 days after IRS issues the first notice demanding payment.

A penalty is charged for delinquency or for depositing an insufficient amount. A penalty may also be assessed if the federal tax deposits are improperly mailed or delivered to IRS offices rather than to authorized depositories or Federal Reserve banks.

More information about payroll taxes is in Publication 937, *Business Reporting*. Call IRS toll-free 1-800-829-3676 to order your free copy.

IRS Publication Covers Depreciation

If you are unfamiliar with or confused about ways to recover your costs for certain business or income producing property, get IRS Publication 534, *Depreciation*.

Publication 534 explains what can be depreciated and discusses various depreciation methods. Charts and sample worksheets are also included.

You can request free Publication 534 by calling 1-800-TAX-FORM (1-800-829-3676).

New Tax Rates for The Self-Employed

Self-employed taxpayers will find new maximums and new self-employment tax rates on the 1990 Schedule SE, *Social Security Self-Employment Tax*.

The maximum earnings amount subject to social security has been increased from $48,000 in 1989 to $51,300 for 1990. The net self-employment tax rate increased from 13.02 percent to 15.3 percent. The two percent credit is replaced by two deductions when figuring income tax and self-employment tax.

Call IRS toll-free at 1-800-829-3676 to order free Publication 533, *Self-Employment Tax*.

IRS Has Help for Small Businesses

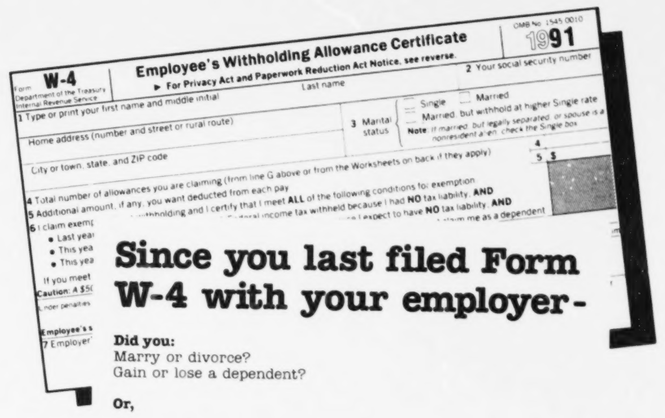
For those of you just starting out in business, taxes may be the last thing on your mind. However, learning about taxes should be high on your list of priorities.

Depending on a number of factors, including whether you have employees or sell products subject to excise taxes, you may owe federal taxes before you show a profit.

Educational institutions, national business associations and other government agencies, in cooperation with the Internal Revenue Service, offer the Small Business Tax Education Program (STEP) to acquaint new business owners with their rights and responsibilities regarding federal taxes.

Most courses offer practical exercises that can teach you how to determine taxable income and how to prepare the tax forms. The advantages and limitations of a sole proprietorship, partnership and corporate forms of business are also discussed.

Get the facts now. Call the local IRS office, 1-800-829-1040 and ask for the Taxpayer Education Coordinator. Find out when and where the next Small Business Tax Education courses will be available in your area.


W-4 Employee's Withholding Allowance Certificate
For Privacy Act and Paperwork Reduction Act Notice, see reverse.
1991

Since you last filed Form W-4 with your employer-

Did you:
Marry or divorce?
Gain or lose a dependent?

Or,

Did any of the following change?
Your nonwage income (interest, dividends, capital gains, etc.)
Your family wage income (more than one job or both spouses work)
Your itemized deductions (if a significant change)

If you answered "Yes" to any of these questions or you owed extra tax when you filed your 1990 return, you may need to file a new Form W-4 for 1991. See your Employer for a copy of the 1991 Form W-4 or call IRS at 1-800-829-3676.

Now is the time to make next year's taxes less taxing. Check your withholding.

✔Check Your Withholding!

Those Old College Bonds

Education can be a great investment for the future. So can some tax shelters. Now you can help pay for the one by investing in the other.

U.S. Series EE savings bonds can be an option for those looking for tax sheltered ways to save for higher education. If you purchase these bonds after December 31, 1989, and use them to pay qualified higher education expenses for yourself, your spouse or your dependent(s), you may be able to exclude the interest income from your taxable income to the extent that the proceeds of the bonds do not exceed those expenses.

There are a few limitations on the tax-free treatment of the bonds. The purchaser must be at least 24 years old before the date of issuance, which must be after 1989. Bonds are ''issued'' as of the first day of the month in which they are purchased. Also, the education expenses must be ''qualified'' expenses, such as tuition and course fees, minus excludable scholarships and other tax-exempt tuition reduction amounts.

These educational expenses must be incurred in the year the bonds are redeemed. Expenses for any course or other education involving sports, games or hobbies, except as part of a degree program, do not qualify.

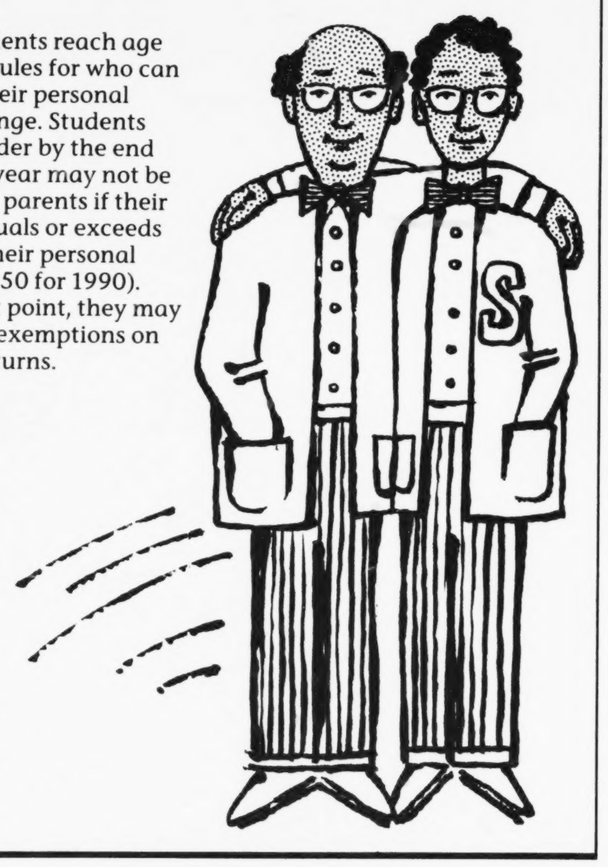
The tax-free treatment phases out for married taxpayers filing a joint return who have incomes between $60,000 and $90,000, and for single taxpayers or heads of households with incomes between $40,000 and $55,000.

To claim the exclusion, file Form 8815, ''Exclusion of Interest from Series EE U.S. Savings Bonds Issued After 1989,'' with your tax return.

For additional information, request free IRS Publication 550, *Investment Income and Expenses,* by calling 1-800-TAX-FORM (1-800-829-3676).

Unclaimed At 24

Once students reach age 24, the rules for who can claim their personal exemptions change. Students who are 24 or older by the end of the calendar year may not be claimed by their parents if their gross income equals or exceeds the amount of their personal exemption ($2,050 for 1990). However, at that point, they may claim their own exemptions on their own tax returns.



Taxes at College

Some of the best things in life are free, but that may not include your scholarship or fellowship. Scholarships and fellowships awarded after August 16, 1986, may be partially or fully taxable.

Only degree candidates may exclude any scholarship or fellowship payments from income. There are several restrictions on the exclusion including both the types of qualifying expenses and the types of payments received.

The ''qualified'' amounts that are not taxable include payments that cover enrollment tuition or fees and course-related expenses for books, fees, supplies and equipment. Any other amounts, such as for room, board, travel or incidental expenses, must be reported as income for the year received.

Many scholarships and fellowships also include pay for past, present or future services. Any payment received for services is taxable for the year of receipt, even if the service is required of all candidates for a particular degree.

Students who are not candidates for a degree must report all scholarship and fellowship amounts as income for the year received.

Those who received scholarships or fellowships awarded before August 17, 1986, should continue to report these payments in the same way they were reported in the past.

For more detailed information, call 1-800-TAX-FORM (1-800-829-3676) for a free copy of IRS Publication 520, *Scholarships and Fellowships*.

Where's the Copy?

Many colleges and universities require information from students' tax returns and sometimes complete copies of the returns.

If students or their parents have misplaced their copies of filed federal tax returns, the Internal Revenue Service can help. It may take 45 days to get a copy of a federal tax return.

Send Form 4506, ''Request for Copy of Tax Form,'' with $4.25 for each copy requested to the Internal Revenue Service Center where the original return was filed. Form 4506 can be ordered by calling the IRS at 1-800-TAX FORM (1-800-829-3676).

Tax account information is free. Usually within two weeks the student can receive information such as filing status, number of exemptions claimed, adjusted gross income, taxable income and income tax shown on the return. Account information can be obtained by calling 1-800-TAX-1040 (1-800-829-1040).

The student should allow at least six weeks processing time after a return is filed before requesting a copy or other information.

Students in Dependence

Students expect to leave their parents' home sooner or later, but leaving their parents' federal tax returns might happen sooner than they expect.

Students 24 years or older by the end of 1990, who have gross income of $2,050 or more cannot be claimed as dependents on their parents' or guardians' returns.

The parents' loss, however, could be viewed as the student's gain. When the student's income reaches $2,050, the student may claim himself or herself as an exemption on his or her own tax return.

For the parent to claim a student's exemption, the student must meet certain dependency tests. Those tests are contained in this year's tax instructions and in free IRS Publication 929, *Tax Rules for Children and Dependents,* available by calling the IRS at 1-800-TAX-FORM (1-800-829-3676).

Tax Guide for Students

A publication which guides high school and college students through the federal tax system is available from the Internal Revenue Service.

Publication 4, *Student's Guide to Federal Income Tax,* gives students an overview of the tax system, with a brief background of taxation and an explanation of withholding of income tax, types of income and expenses, and filing requirements for students.

Other topics include estimated tax, types of information and tax returns and filling out Form W-4, "Employee's Withholding Allowance Certificate." Also included are filled-in samples of Form W-4 and Form 1040EZ, "Income Tax Return for Single Filers with No Dependents."

A free copy of Publication 4 may be ordered by calling 1-800-TAX-FORM (1-800-829-3676).

Taxes and the Working Student

Students who have part-time or summer jobs need to think about more than what hours they should work or how to spend their earnings. High on their list of considerations should be whether to have taxes withheld.

Some of the many things which affect the need for withholding are:

- How much will the student make at this and any other job during the year?
- Does the student have a savings account or other investments which produce income?
- Does (or will) the student have a scholarship which will be partially or fully taxable during the year?
- Can the student be claimed as a dependent on someone else's tax return?

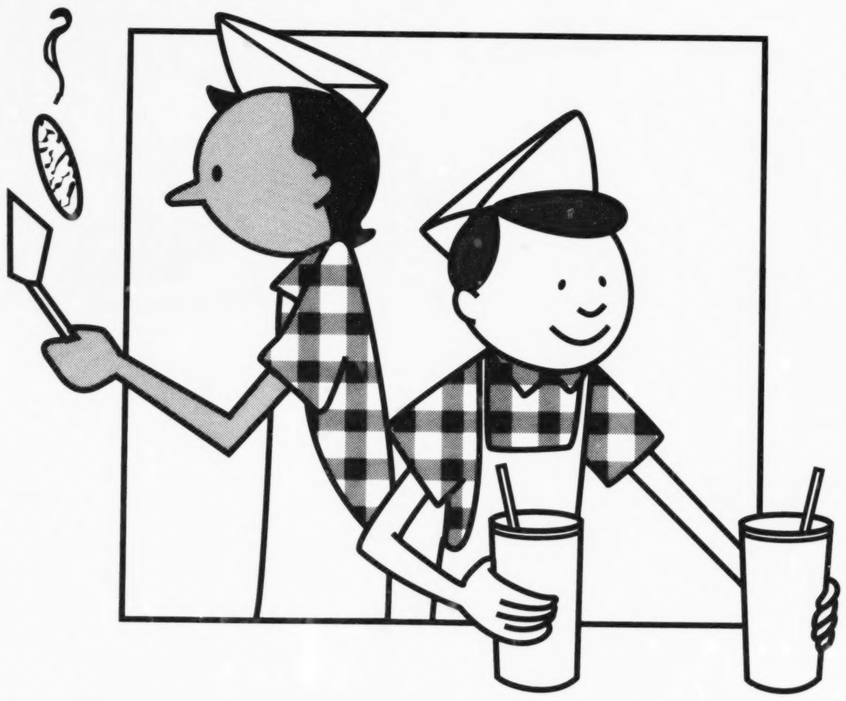
Each of these factors should be considered when students fill out Form W-4, "Employee's Withholding Allowance Certificate," to determine how much, if any, tax should be withheld from each pay check.

In general, a single student who can be claimed as a dependent by another person will owe no taxes if he or she:

- Does not have more than $500 in total income, some part or all of which is unearned income; or
- Is under age 24 at the end of the calendar year and earns up to $3,250 in wages, tips and taxable scholarships, provided he or she has no unearned income such as interest or dividends; or
- Is 24 or older at the end of the calendar year, has no unearned income, and earns less than $2,050.

Students who are 24 or older at the end of the calendar year and earn $2,050 or more can no longer be claimed as dependents on another person's return.

For more information, Form W-4 and Publication 4, *Student's Guide to Federal Income Tax,* may be obtained by calling the Internal Revenue Service at 1-800-TAX-FORM (1-800-829-3676).



Taxes, Classes And You

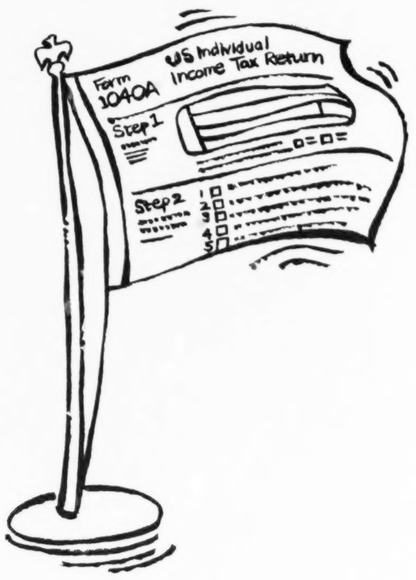
Taxes have always been part of the history of our country. They are part of our lives, whether we know much about them or not.

It's important to know about taxes. However, students frequently know little or nothing about taxes. Through the "Understanding Taxes" program, some students are getting a jump on what will soon become a necessary part of their lives.

The Understanding Taxes program was developed and approved by the Joint Council on Economic Education, the IRS, the Agency for Instructional Technology, and representatives from state education and economic education agencies.

High school students learn the basics of the tax system and tax form preparation. The modular package contains video programs on a VHS cassette; software to "walk" students through the 1040EZ, W-2 and W-4 tax forms; an instructor's overview booklet; and lesson plans with transparencies and duplicating masters.

Teachers interested in the program may call the IRS Taxpayer Education Coordinator at 1-800-TAX-1040 (1-800-829-1040). Classroom volunteers may contact IRS to find out where they can help.



Free Services Indexed

The Internal Revenue Service has many free services, as well as publications and forms, to help you with your federal taxes. Publication 910, *Guide to Free Tax Services*, includes information on:

- Telephone Services
- Information for the Blind
- Walk-in Service
- Volunteer and Education Programs
- Print and Audio Visual Information
- Free Tax Publications
- Filing Information

Publication 910, as well as other IRS publications, may be ordered by calling IRS toll-free at 1-800-TAX-FORM (1-800-829-3676).

Handling Pre-need Funeral Trusts

People who prearrange and purchase their own funerals need to include tax planning in their preplanning.

A pre-need funeral is a funeral paid and arranged for by a person prior to his or her death. In most states, after a funeral home or other entity sells a pre-need funeral, it is a requirement that a percentage of the money paid be deposited into a trust. The money is invested and held by the trust until the funeral home fulfills its contract upon the purchaser's death.

The setup and types of trusts vary. However, in most cases the purchasers must include in their gross income any income earned on amounts in the trust. The individuals must include in income all funds credited to their trust accounts even though the person may never take physical possession of the funds.

Sellers or trus. .dministrators of the pre-need funeral plans will generally send their clients a Schedule K-1 (Form 1041), "Beneficiary's Share of Income, Deductions, Credits, etc.," which has instructions on where to report this tax information.

For more information on pre-need funeral trusts, call and request Revenue Ruling 87-127 by calling IRS toll-free at 1-800-829-1040.

Is My Companion My Employee

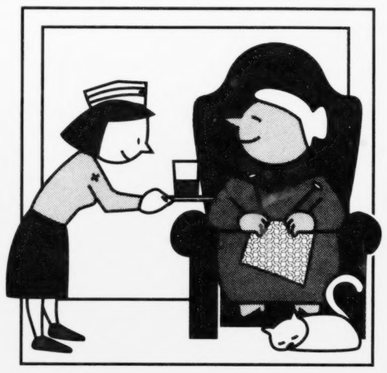
If you hire a housekeeper, companion or some other person to work in your home, you may be considered an employer. As an employer, you have certain tax responsibilities.

When you have the legal right to control what, where, when and how a worker performs a job, you are an employer even if you do not exercise that control. Generally, you will have to withhold social security tax from the worker's pay, pay an equal amount of social security tax from your own funds and, if the worker requests and you agree, withhold federal income tax. Some employers are also responsible for other taxes, such as federal unemployment tax and advance payment of earned income credit.

You are not liable for any of the above taxes if the individual who works for you is self-employed. Self-employed persons are in business for themselves. Someone who provides lawn care to a number of homeowners, using his own tools and helpers, would not be an employee of any of the homeowners.

Usually, workers you obtain through a private agency are not your employees. The agency is responsible for who does the work and how it is done. A nurse from a placement agency that comes in and cares for you is not your employee if the agency sets the fee and has control, such as providing rules of conduct and appearance and requiring regular reports from the nurse.

Also, if you are being cared for in the worker's home or place of business, you are generally not considered an employer.



The chart below shows which forms to file.

If You Are An Employer

Subject To:	You Need Forms:
Social Security Taxes (FICA)	**942**, "Employer's Quarterly Tax Return For Household Employees," filed each quarter. **W-2**, "Wage and Tax Statement," filed at the end of the year.
Federal Income Tax Withholding	**W-4**, "Employee's Withholding Allowance Certificate," completed by your employee. File Form **942** each quarter and Forms **W-2** and **W-3** at the end of the year.
Federal Unemployment Tax (FUTA)	**940**, "Employer's Annual Federal Unemployment (FUTA) Tax Return," filed at the end of the year.
Advance Earned Income Credit (AEIC)	**W-5**, "Earned Income Credit Advance Payment Certificate," completed by eligible employee. Form **942** is filed each quarter and **W-2** at the end of the year. Give Notice 797, "You May Be Eligible for a Refund on Your Federal Income Tax Return Because of the Earned Income Credit (EIC)," to all employees who may be eligible for the credit.

Free Publication 926, *Employment Taxes for Household Employers*, will give you specific information on your responsibilities as an employer, who is considered an employee and how to complete employment tax forms. This publication, the above tax forms and Notice 797 can be ordered by calling 1-800-TAX-FORM (1-800-829-3676).

One-Time Benefit Just for Seniors

A lot of money and effort is invested in a home. For those 55 or older and selling their home, a tax break is available which could make that investment even more worthwhile.

A one-time exclusion of up to $125,000 of the gain from the sale of a prinicipal residence may be taken by those who qualify.

This "once-in-a-lifetime" exclusion can only be taken by persons 55 or older on or before the date of the sale or exchange of the home. They must have owned and lived in the home for at least three years out of a five year period ending on the date of the sale or exchange. Married persons cannot exclude such a gain if either spouse has excluded a gain from the sale of a home after July 26, 1978. There are important exceptions for disabled individuals and widows/widowers.

Order IRS Publication 523, *Tax Information On Selling Your Home*, for more information on the exclusion and the exceptions. Call 1-800-TAX-FORM (1-800-829-3676) to order free publications.

New Tax Package For Seniors

The Internal Revenue Service has developed a separate 1040A package for older taxpayers. The package will include the following forms: Form 1040A, Schedule 1, for reporting over $400 of interest or dividends and a new Schedule 3, developed especially for computing the Credit for the Elderly or the Disabled. Lines for IRA distributions, pensions and annuities, social security benefits, estimated tax payments and estimated tax penalties will also be added.

The new 1040A package for the elderly will be available for filing 1990 tax returns.

Retirees Can Avoid Quarterly Tax Payments

Many retirees can have federal income tax withheld from their pensions and annuities to avoid making estimated tax payments.

A retiree who chooses not to have tax withheld may have to make estimated tax payments during the tax year if enough tax is not withheld from other income subject to withholding.

Normally, tax withheld from periodic pension or annuity payments is based on marital status and the number of withholding allowances claimed on the withholding certificate, Form W-4P, or similar form from the payor. However, if a retiree does not give the payor a withholding certificate, the tax will be withheld as if the retiree is married claiming three withholding allowances.

Retirees should keep in mind that they may be subject to a penalty for underpayment of estimated tax if an insufficient amount of withholding is taken from pension and annuities or if estimated tax payments are not made in sufficient amounts.

More information on pension and annuity income, including withholding for pensions and annuities, can be found in free Publications 575, *Pension and Annuity Income*, and 505, *Tax Withholding and Estimated Tax*. Call the IRS toll-free at 1-800-TAX-FORM (1-800-829-3676) to order.

Tax Law Benefits Elderly And Disabled

Special federal income tax credits and deductions may be available to elderly or disabled persons and certain business owners employing persons with disabilities.

Standard Deduction

Blind or elderly taxpayers are entitled to a higher standard deduction than other taxpayers. Publication 501, *Exemptions, Standard Deduction, and Filing Information*, covers the qualifications of blindness and age requirements and provides worksheets to help figure the proper amounts allowed.

Credits

Retirees may qualify to claim tax credit if he or she is:

1. 65 years or older or retired on disability **and**
2. is permanently and totally disabled upon retirement.

IRS Form 1040 or 1040A must be filed to claim the credit. Specific information on this credit and how to calculate it is contained in IRS Publication 524, *Credit for the Elderly or the Disabled*.

Tax Incentives for Businesses

Business owners may get tax incentives for helping disabled individuals. A tax credit is available to business owners who hire persons with disabilities. In addition, each year business owners may deduct up to $35,000 of the costs of improvements to make a building, public transportation vehicle or other facility more accessible to elderly and disabled persons.

IRS Publications

Publication 907, *Tax Information for Persons with Handicaps or Disabilities*, gives explanations of tax rules and benefits for persons with handicaps.

Business owners should refer to Publication 535, *Business Expenses*, and Publication 572, *General Business Credit*, for an indepth explanation of tax incentives. All IRS publications and forms are free and may be ordered by calling toll-free 1-800-829-3676.

Paying Taxes On Social Security

Retirees may have to pay income tax on part of their social security benefits.

Some of the benefits are taxable if the modified adjusted gross income, including half of the benefits and all tax-exempt interest, exceeds:

- $32,000, if married and filing a joint return.
- $25,000, if single or married, not filing a joint return and not living with spouse at any time last year.
- $ -0-, if married, not filing a joint return and living with spouse at any time during the last year.

The same rules apply to tier 1 railroad retirement benefits. If the recipient repaid any social security or railroad retirement benefits last year, special rules may apply.

A Form SSA-1099 showing the total amount of social security benefits received, or Form RRB-1099 for certain railroad retirement benefits received, should be sent to each recipient by January 31.

Details on taxable social security benefits and certain tier 1 railroad retirement benefits can be found in free IRS Publication 915, *Social Security Benefits and Equivalent Railroad Retirement Benefits*. It is available by calling 1-800-TAX-FORM (1-800-829-3676).

Special Credit for Elderly and Disabled

A special tax credit for the elderly and the disabled may be allowed on your tax return if you qualify.

You may qualify for this credit if you are a U.S. citizen and are 65 or older, or you retired on disability and were permanently and totally disabled when retired. Also, if disabled, you cannot have reached mandatory retirement age before 1990, and you must have received taxable disability benefits in 1990.

If your income is high enough to require you to report any part of your social security or tier 1 railroad retirement benefits as taxable income, you generally cannot take the credit.

Schedule R is used to compute the credit and is filed with Form 1040; you may be able to use Schedule 3 with Form 1040A. The credit cannot be taken if you file Form 1040EZ.

More information can be found in Publication 524, *Credit for the Elderly or the Disabled*. To order this free publication, Schedule R (Form 1040) or Schedule 3 (Form 1040A), call toll-free 1-800-TAX-FORM (1-800-829-3676).

Free Tax Counseling For Seniors

Taxpayers age 60 or older can get free help preparing their federal income tax returns through a special program called Tax Counseling for the Elderly (TCE).

TCE volunteers set up sites in retirement homes, libraries, churches, neighborhoods and many other locations convenient to seniors. They also assist the home-bound.

To find out where the nearest TCE site is located, call your local IRS office or call the IRS toll-free at 1-800-TAX-1040 (1-800-829-1040).

Possible Tax Saving for Seniors/Blind

People who are 65 or older or blind and do not itemize deductions may be entitled to take a higher standard deduction on their tax return for 1990.

The table below shows how to determine the amount of their standard deduction. Those who can be claimed as dependents cannot use this table.

Step 1

Check the correct boxes below for you and your spouse:

You are	65 or older ☐	Blind ☐
You spouse is	65 or older ☐	Blind ☐

Total boxes checked _____

To find the amount of your standard deduction, total the boxes checked, and compare the result to the standard deduction chart below.

Step 2

1990 Standard Deduction Chart

If your filing status is:	Total number of boxes checked:	Your standard deduction is:
Single	1	$4,050
	2	4,850
Married filing Jointly or Qualifying Widow(er) with dependent	1	6,100
	2	6,750
	3	7,400
	4	8,050
Married filing Separately	1	3,375
	2	4,025
	3	4,675
	4	5,325
Head of Household	1	5,550
	2	6,350

For additional information, including details on a dependent's standard deduction, see IRS Publication 501, Exemptions, Standard Deduction, and Filing Information. This publication can be ordered free by calling 1-800-TAX-FORM (1-800-829-3676).

A Farmer's Disaster

Farmers who receive insurance proceeds for crop damage due to floods or other natural disasters, or the inability to plant crops because of these events, may qualify to report this income in the year after receipt.

Since farmers often report the income from crop sales in the year after the crops were harvested, this provision allows farmers whose crops are destroyed to avoid reporting two years' income in the same year.

To qualify, farmers must use the cash method of accounting and must establish that the proceeds from the sale of the destroyed crops would have been reported in a year following the destruction.

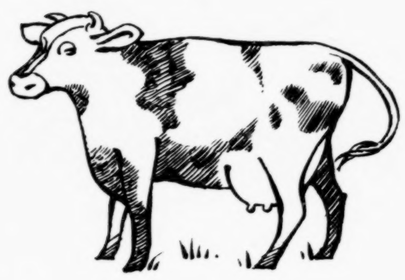
More information on disaster losses can be found in free IRS Publication 225, *Farmer's Tax Guide*. Call 1-800-TAX-FORM (1-800-829-3676) to order the publication.

A Word on the Herd

Certain livestock can be depreciated if it meets the requirements.

Livestock acquired for work, breeding or dairy purposes that is not kept in an inventory account may be depreciated. However, livestock that you raise usually has no depreciable basis because the costs of raising the animals are deducted and not added to the basis.

For details, see IRS Publication 225, *Farmer's Tax Guide*.. Order by calling 1-800-TAX-FORM (1-800-829-3676).



Farm Employers Must Withhold

Agricultural employers are required to withhold federal income taxes from most of their employees' cash wages.

Farmers and crew leaders now report **both** the federal income taxes withheld and the social security taxes paid and withheld on employees'cash wages paid after 1989. Requirements for depositing these taxes may be found in Publication 51 (Circular A), *Agricultural Employer's Tax Guide*.

Farmers and ranchers should keep in mind the following:

- ☑ Each employee should be given a Form W-2, ''Wage and Tax Statement,'' showing all wages, tips and withholding amounts for the year.
- ☑ Obtain and keep on file a completed Form W-4, ''Employee's Withholding Allowance Certificate,'' from each employee.
- ☑ Farm workers that need a social security number may complete Form SS-5, ''Application For A Social Security Card,'' available at Social Security Administration offices.
- ☑ A record must be kept of the crew leader's name, address and employer identification number (EIN). Crew leaders may apply for an employer identification number by filing Form SS-4, ''Application For Employer's Identification Number,'' with IRS.

More information on agricultural workers' withholding and which forms to file may be found in free Publication 225, *Farmer's Tax Guide*, and Publication 51 (Circular A), *Agricultural Employer's Tax Guide*. Call IRS at 1-800-TAX-FORM (1-800-829-3676) to request any of the above forms and publications.

Farmers Given Choice When to Pay

Qualifying farmers have an option on when to make estimated tax payments.

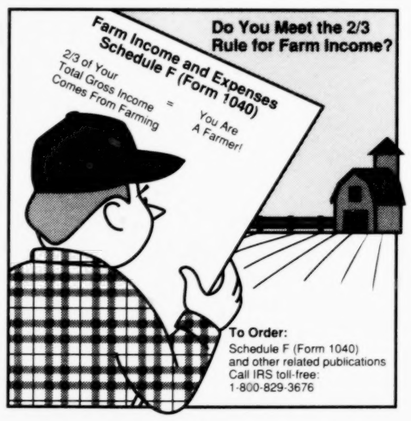
Estimated tax payments are generally made if the total estimated income tax and self-employment tax is $500 or more.

If you qualify as a farmer, you may:

- Pay all of your estimated tax by January 15 and file your Form 1040 by April 15,
- File your Form 1040 by March 1 and pay all the tax that is due, or
- Pay your estimated tax quarterly and then file your income tax return and pay any balance due by April 15.

In order to qualify as a farmer, at least two-thirds of your total gross income, including non-farm income, for the last tax year must be from farming, or you must expect that two-thirds of your total gross income for the current tax year will be from farming. On a joint return, a spouse's gross income must also be included in to determine if at least two-thirds of the total gross income is from farming.

Call 1-800-TAX-FORM (1-800-829-3676) to order IRS Publication 225, *Farmer's Tax Guide*, which has details on estimated tax payments for farmers.


Do You Meet the 2/3 Rule for Farm Income?
Farm Income and Expenses
Schedule F (Form 1040)
2/3 of Your Total Gross Income Comes From Farming
=
You Are A Farmer!
To Order:
Schedule F (Form 1040)
and other related publications
Call IRS toll-free:
1-800-829-3676

The Well-Defined Farmer-Employer

Generally, you are considered an employer of farm workers if you employ workers who:

- raise or harvest agricultural or horticultural products on a farm;
- care for your farm and equipment, when most of the care is done on a farm;
- handle, process or package any agricultural or horticultural commodity if you produced over half of the commodity;
- do work related to cotton ginning, turpentine or gum resin products; or
- do housework in your private home if it is on a farm that is operated for profit.

Crew leaders are also considered employers of farm workers. A crew leader furnishes and pays workers who do farm work for the farm operator. This can be done on his/her own behalf or on behalf of the farm operator. You are a crew leader if there is no written agreement between you and the farm operator stating that you are his/her employee and if you pay the workers.

Publication 51 (Circular A), Agricultural Employer's Tax Guide, has more details. It can be ordered free by calling 1-800-TAX-FORM (1-800-829-3676).

Operating Losses Reduce Income

A net operating loss may reduce income and tax in other years if the loss occurred in the operation of your farm during the year or if there was a deductible casualty or theft loss that was more than your income.

Generally, net operating losses can be carried back three tax years before the loss year. Any remaining loss may be carried over to the next fifteen years after the loss and deducted from income produced in those years until it is used up. However, the tax concept of ''at-risk limits'' may reduce the amount of the net operating loss that can be carried back.

For more detailed information and qualifications on net operating losses, get free Publications 225, *Farmer's Tax Guide*, and 536, *Net Operating Losses*, by calling 1-800-TAX-FORM (1-800-829-3676).

Planning the Future

Several types of retirement plans allow the self-employed farmer and farm employees to set aside money for retirement.

A self-employed farmer can set up a self-employed retirement (or Keogh) plan, an individual retirement arrangement (IRA) or a simplified employee pension (SEP).

Farmer-employers may take a farm deduction, within certain limits, on Schedule F for contributions made to a plan for their employees. This includes contributions made for a spouse if a true employer-employee relationship exists between the farmer and the spouse. A personal deduction is allowed on the farmer's Form 1040 for plan contributions made on his/her and a non-working spouse's behalf.

When setting up a retirement plan, there are certain IRS qualifications that must be met. See IRS Publication 225, *Farmer's Tax Guide*, for general information on the kinds of plans. Specific information on setting up Keogh plans is found in Publication 560, *Self-Employed Retirement Plans*. IRAs and SEP plans are explained in Publication 590, *Individual Retirement Arrangements (IRAs). These publications can be ordered by calling 1-800-TAX-FORM (1-800-829-3676).*

Farmers Ask IRS

The answers to many farmers' tax questions are in Internal Revenue Service Publication 225, *Farmer's Tax Guide*. Farmer-employers can learn more about their responsibilities in Publication 51 (Circular A), *Agricultural Employer's Tax Guide*. Both are available free from the IRS by calling 1-800-TAX-FORM (1-800-829-3676).

The following are common questions and answers prepared to help farmers with federal income tax laws.

Q A flood damaged my farm this year, and I understand our part of the country is a disaster area. What does this mean?

A If your area warrants federal disaster assistance, you may elect to deduct your loss on your federal income tax return for the preceding tax year.

Q I'm a farmer. Can I take investment credit on any of my property?

A The Tax Reform Act of 1986 repealed the investment tax credit for property placed in service after December 31, 1985, except for property covered by transition rules.

Q I plan to hire short-term laborers, sometimes for just a day or two. Do I have to take out taxes?

A Generally, you must withhold income and social security taxes only when you have paid an employee $150 or more in cash wages during the year, or when you have paid cash wages of $2,500 or more during the year to all your employees. Exceptions are explained in IRS Publication 225.

Q I fixed the roof on my barn. Is this a repair or a capital expense?

A A repair simply restores an item but neither adds to its value nor increases its useful life. A capital expense, on the other hand, does add to the value or does increase the useful life. If, for example, you merely replaced some shingles, you have repaired your roof. If you put an entirely new roof on the barn, you have a capital expense. Repairs are deductible business expenses. Capital expenses are not deductible but in some cases may be depreciated over the life of the asset.

Q I plan to sell my farm. Is there anything special I should keep in mind?

A When you sell your farm, you are selling business property (the land, buildings, etc., used in farm operations) and possibly nonbusiness property (your personal residence, etc.). The tax treatments for the sale of business property and nonbusiness property are different. Get Publication 544, *Sales and Other Dispositions of Assets*, and Publication 523, *Tax Information On Selling Your Home*, for more information. Both are available by calling the IRS at 1-800-829-3676.

Q I sold my farm for a large profit. Can I still use the estimated tax rules for farmers?

A To pay estimated tax as a farmer, at least two-thirds of your total estimated gross income for the tax year must be from the business of farming, or at least two-thirds of the total gross income shown on your return for the preceding tax year must have been from farming. The taxable gain from the sale of your farm is part of your gross income, but it is NOT from the business of farming.

Q When do I report income from a Commodity Credit Loan?

A You may include Commodity Credit loans in income in the year the crop is sold, or you may elect to include Commodity Credit loans in income in the year in which the proceeds of the loan are actually received. Once you report these loans in the year received, you must continue to report all succeeding loans in the same way, unless you get permission from the IRS to change methods.

Q I rent out my farm, but I have nothing to do with the operation of it. Do I have to pay self-employment tax?

A No, because in your case you have no material participation in the production or management of production of farm products on the land.

Q How do I determine the basis for my cattle?

A If you purchased livestock for resale, the basis is the cost. If you raised livestock for sale and deducted the cost of raising the animals, the basis is zero.

Q I prefer to hire a crew leader to provide farm labor for my farm rather than to hire workers on my own. How should I handle their taxes?

A If you hire a crew leader as an independent contractor to provide farm workers, then the workers are considered employees of the crew leader for employment tax purposes. The crew leader is responsible for withholding income tax and social security tax from the workers' wages. Retain the crew leader's name, address and employer's identification number for your records. If there is a written statement designating the crew leader as your employee, you may have to withhold taxes from both the crew leader's and employees' pay.

Employers, Keep Records Four Years

All records relating to employment taxes should be kept by employers for at least four years.

Records, such as employees' names and social security numbers, cash payments for farm work, deductions for income tax and social security tax, and any records of noncash wage payments, should be kept four years after the return's due date or the date the taxes were paid, whichever is later.

More recordkeeping advice is available in IRS Publication 225, *Farmer's Tax Guide*. Other tax tips for employers can be found in Publication 51 (Circular A), *Agricultural Employer's Tax Guide*. Call 1-800-TAX-FORM (1-800-829-3676) to order.

Tax Guides for Farmers

The IRS has helpful tax guides just for those in agriculture.

This year's edition of Publication 225, *Farmer's Tax Guide*, contains important changes for the 1990 tax year, along with specific information on filing requirements and due dates, farm business expenses and other tax topics. It also has sample tax forms generally used by farmers.

Publication 51 (Circular A), *Agricultural Employer's Tax Guide*, explains farmer-employer responsibilities, such as social security (FICA) tax and income tax withholding and federal unemployment (FUTA) tax.

Both publications are free of charge and can be ordered by using the order blank in the IRS tax return package or by calling 1-800-TAX-FORM (1-800-829-3676).

Away at Tax Time?

Being out of the country may have its advantages, especially at tax time. If you are required to file a U.S. income tax return and are traveling or living outside the United States on April 15, you may be allowed an extension to file.

By filing Internal Revenue Service Form 4868, travelers can receive an extension until August 15 to file their federal income tax returns. Payment of additional taxes must accompany the request. Both Form 4868 and your payment must be filed by April 15.

U.S. residents in foreign countries usually qualify for automatic extensions of time to file until June 17. They must attach a statement to their tax returns explaining that their home and main place of business were outside the United States or Puerto Rico on April 15.

Visit your nearest U.S. Embassy or Consulate for forms or write to Internal Revenue Service, Forms Distribution Center, P.O. Box 25866, Richmond, VA 23289, USA.

Foreign Move May Mean Tax Write-Off

Many of the expenses associated with moving for employment purposes are deductible by U.S. citizens on their U.S. tax returns, providing they meet certain qualifying time, distance, and employment tests. For more information, get free IRS Publication 521, *Moving Expenses,* and Publication 54, *Tax Guide For U.S. Citizens and Resident Aliens Abroad.* Visit your nearest U.S. Embassy or Consulate for a copy, or write to Internal Revenue Service, Forms Distribution Center, P.O. Box 25866, Richmond, VA 23289, USA.

U.S. Embassies and Consulates Providing IRS Assistance

Bonn
United States Embassy
Deichmanns Aue 29
5300 Bonn 2, West Germany
Tel.# [49] (228) 339-2119

Caracas
United States Embassy
Avenida Principal La Floresta
Caracas, Venezuela
Tel.# [58] (2) 285-3111, ext. 333

London
United States Embassy
24/31 Grosvenor Square
London, England
Tel.# [44] (1) 408-8076 or 408-8077

Mexico City
United States Embassy – IRS
Avenida Reforma 305
Col. Cuauhtemoc
Mexico, D.F., 06000 Mexico
Tel.# [52] (5) 211-0042, ext. 3559

Nassau
United States Embassy
Queen Street
Nassau, Bahamas
Tel.# (809) 322-1181

Ottawa
United States Embassy
60 Queen Street
Suite 201
Ottawa, Ontario, Canada
KIP 5Y7
Tel.# (613) 238-5335

Paris
United States Embassy
2 Avenue Gabriel
F 75382 Paris Cedex 08
France
Tel.# [33] (1) 4296-1202

Riyadh
American Embassy – IRS
P.O. Box 9041
Riyadh, Saudi Arabia
Tel.# [00966] (1) 488-3800, ext. 206

Rome
United States Embassy Annex
Via Sardegna 49
Rome, Italy
Tel.# [39] (6) 4674-2560

Sao Paulo
American Consulate General
Rua Padre Joao Manoel 933
Sao Paulo, S.P., Brazil 01411
Tel.# [55] (11) 881-6511, ext. 287

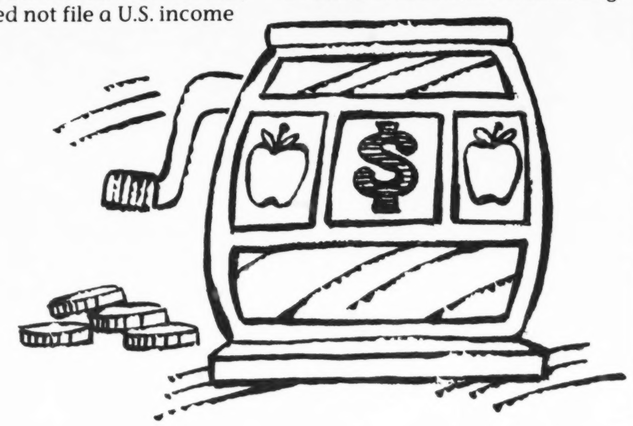
Singapore
American Embassy
30 Hill Street
Singapore, Singapore 0617
Tel.# [65] 338-0251, ext. 247

Sydney
American Consulate
General, IRS
Hyde Park Tower
Park and Elizabeth Streets
Sydney NSW 2000
Australia
Tel.# [61] (2) 261-9275

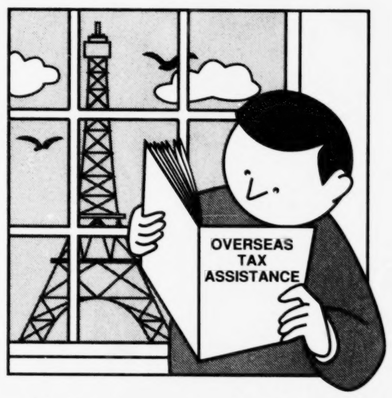
Tokyo
United States Embassy, IRS
1-10-5 Akasaka, 1-Chome
Minato-ku, Tokyo 107
Japan
Tel.# [81] (03) 224-5466

U.S. TAX MAN "COVERS" WINNING BETS

When you visit the United States and "strike it rich" in Las Vegas or other legalized gambling areas in the United States, you may have a silent partner—the U.S. tax man. Generally, 30 percent is withheld from your significant gambling winnings at the time of your good fortune. Since this settles your tax bill with the IRS, you need not file a U.S. income tax return if this is your only U.S. income. For example, the IRS collects 30 percent from citizens of Canada, and no tax return is required. However, citizens of the United Kingdom are generally subject to a reduced tax treaty rate of 15 percent and must file a Form 1040NR, *U.S. Nonresident Alien Income Tax Return,* to request a refund of the excess withholding.



Cries for Help Heard at Home and Abroad



U. S. taxpayers outside the United States looking for help with their U.S. income taxes have several choices.

One-on-one assistance is frequently provided by Internal Revenue Service employees or IRS-trained volunteers during the U.S. tax filing season. Taxpayers needing information to complete their forms may call any one of 13 IRS offices located in embassies and consulates throughout the world, or they may call the International Taxpayer Service office in Washington, DC at 202-287-4301. The IRS maintains overseas offices in Bonn, Caracas, London, Mexico City, Nassau, Ottawa, Paris, Riyadh, Rome, Sao Paulo, Singapore, Sydney and Tokyo.

Also, speakers are often available from IRS offices to talk to groups about tax matters. Schedules and locations for tax help are usually available at U.S. Embassies or Consulates.

Free IRS tax assistance publications can be obtained by writing to Internal Revenue Service, Forms Distribution Center, P.O. Box 25866, Richmond, VA 23289, USA. Specific tax questions can be addressed to Internal Revenue Service, Assistant Commissioner (International), Attn: IN:C:TPS, 950 L'Enfant Plaza South, S.W., Washington, DC 20024, USA.

Get Answers from IRS

Almost 30 million people get their tax questions answered through the IRS toll-free phone number. If you have a question, call IRS at 1-800-TAX-1040 (1-800-829-1040).

The Top Five

Tele-Tax, the IRS recorded tax information service, features popular tax topics, such as Electronic Filing, Business Use of Car, Child Care Credit, Lump Sum Distribution and Refunds. But there are many more available. How to use the Tele-Tax system and a listing of topics are in free Publication 910, *Guide To Free Tax Services*. Call IRS toll-free at 1-800-829-3676 to order free IRS publications.

Foster Children

A foster child will not qualify a taxpayer filing as head of household for the earned income credit. More information on the earned income credit can be found in Publication 596, *Earned Income Credit*. For your free copy, call toll-free 1-800-TAX-FORM (1-800-829-3676).

Limited Check Life

Cash your U. S. income tax refund checks within one year of the date on the check. After that date, the check will be invalid and you will have to contact the IRS to have a new check issued.

Educational Help May Be Taxed

People who receive educational assistance from their employers need to determine whether to include it in their income. For guidance on employer-provided educational assistance, call 1-800-829-3676 and order Publication 508, *Educational Expenses*.

Standard Deduction

Most taxpayers may choose to subtract either a standard deduction or itemized deductions from income on their tax return. Tax law changes in recent years have made it more advantageous for many people to take the standard deduction. Order free Publication 501, *Exemptions, Standard Deduction, and Filing Information*, for more information. Call toll-free 1-800-829-3676.

It's Number One!

In IRS' vast library of over 100 free publications, there's no mistaking what's number one—Publication 1, *Your Rights as a Taxpayer*. To find out what rights taxpayers have, order Publication 1 by calling 1-800-829-3676.

IRS Bandage

What happens if, after mailing your tax return, you find an extra W-2 or uncover receipts for medical expenses? Use the IRS "fix-it" form, Form 1040X, "Amended U.S. Individual Income Tax Return," to correct a previously filed return. Form 1040X is available by calling IRS toll-free at 1-800-829-3676.

Recorded Tax Information for Aliens

Recorded information on specific tax topics such as Alien Tax Clearance is available in Spanish as well as in English. Call Tele-Tax at 1-800-829-4477. The topics are listed in English-language Publication 910, *Guide to Free Tax Services*. To order Publication 910, call 1-800-829-3676.

Pay Now, File Later

On April 15th, all your income taxes must be paid, but your filing due date can be extended to August 15th by simply filing an IRS extension form. Call 1-800-829-3676 to order Form 4868, "Application for Automatic Extension of Time To File U.S. Individual Income Tax Return."

Free Publications At Your Finger Tips

You can order free IRS publications and forms on almost any tax topic. Call IRS toll-free at 1-800-TAX-FORM (1-800-829-3676).

Divorce Affects Taxes, Too

If you are recently divorced or separated, Publication 504, *Tax Information for Divorced or Separated Individuals*, explains tax rules that could affect your filing status, dependency exemptions and the treatment of alimony and property settlements. To order Publication 504, call toll-free 1-800-829-3676.

Business Expenses

Self-employed individuals can deduct many business expenses such as gifts, entertainment and travel. See Publication 463, *Travel, Entertainment, and Gift Expenses*, for details.

Don't Deduct Commuting Expenses

You cannot deduct the costs of taking a bus, trolley, subway, taxi or car between your home and your main or regular place of work. These costs are personal commuting expenses.

No Deduction for Parking

Fees paid to park your car at your place of business are nondeductible commuting expenses.

Witholding a Must for Tips

Employers are responsible for withholding social security and income taxes on tip income reported to them by employees.

Dependents

If an individual qualifies to be claimed as a dependent on another person's income tax return, the dependent may not claim a personal exemption on his or her own return.

Unclaimed At 24

Once students reach age 24, the rules for who may claim their personal exemptions change. Students who are 24 or older by the end of the calendar year may not be claimed by their parents if their gross income equals or exceeds the amount of their personal exemption ($2,050 for 1990). However, at that point, they may claim their own exemptions on their own tax returns.

Unearned Income

If a person who can be claimed as a dependent has more than $500 in income, any part of which is unearned such as interest or dividends, federal income tax may be owed on a portion of the income. Call 1-800-TAX-FORM (1-800-829-3676) and order free IRS Publication 929, *Tax Rules for Children and Dependents*, for details.

Free Information for New Small Business Owners

If you are just starting out with your own business, the IRS has some important information for you.

In the free Business Tax Kit, you get basic tax forms and information that relate to most businesses, plus an order blank for other forms and publications that might be helpful for your business.

Get your business off to a good start. Write or call the IRS office nearest you and ask for Your Business Tax Kit. You'll be glad you did.

Exempt Students

Students who had no tax liability for 1990 and who expect to owe no tax for 1991 may qualify to be exempt from income tax withholding during 1991. See Form W-4 instructions for more details.

Tax Guide for Older Americans

Publication 554, *Tax Information for Older Americans*, informs senior citizens of the special tax deductions and credits to which they are entitled. Topics range from filing requirements to taxable and nontaxable income.

Publication 554 is free and can be ordered by calling the IRS at 1-800-TAX-FORM (1-800-829-3676).

IRS Gives Credit to Seniors/ Disabled

By the end of the tax year, if you are age 65 or older or are under 65 and retired on permanent and total disability, you may be eligible for a special tax benefit on your federal income tax return and pay less tax.

The benefit, Credit for the Elderly or the Disabled, is based on income, filing status, age and spouse's age if you are married.

For further information, ask for free IRS Publication 524, *Credit for the Elderly or the Disabled*, by calling 1-800-TAX-FORM (1-800-829-3676).

Crop Damage

Damage to crops, whether or not covered by insurance, are not tax deductible losses. These damages are losses of anticipated income. The costs of raising the damaged crops, however, are deductible as business expenses.

1040EZ—DO IT YOURSELF

Your tax instruction package contains the information needed to complete the form. This Signal Sheet is simply an aid. It alerts you to things you don't want to miss.

If you find it helpful, please use it along with your tax instructions.

YOU CAN ONLY USE THIS FORM IF YOU:
- **HAVE SINGLE FILING STATUS,**
- **HAVE NO DEPENDENTS,**
- **ARE NOT 65 OR OVER OR BLIND,**
- **HAVE TAXABLE INTEREST INCOME OF $400 OR LESS, AND**
- **HAVE TAXABLE INCOME OF LESS THAN $50,000.**

USE THE PEEL-OFF LABEL. IT'S ON THE FRONT OF YOUR TAX PACKAGE. IF ANYTHING IS WRONG, CORRECT IT RIGHT ON THE LABEL.

YOU *MUST* CHECK "YES" OR "NO" HERE. IF YOU CAN BE CLAIMED AS A DEPENDENT, PLEASE USE THE WORKSHEET ON THE BACK.

DON'T FORGET TO SIGN AND DATE HERE.

Form **1040EZ** — Department of the Treasury · Internal Revenue Service
Income Tax Return for Single Filers With No Dependents **1990**
OMB No. 1545-0675

Name & address — Use IRS label (see page 9). If you don't have one, please print.

LABEL HERE
Print your name (first, initial, last): JADE ARLENE ROBERTS
Home address (number and street). (If you have a P.O. box, see page 9.): 743 REED COURT — Apt. no.
City, town or post office, state, and ZIP code. (If you have a foreign address, see page 9.): DEVON, OH 12345

Please print your numbers like this: 9 8 7 6 5 4 3 2 1 0

Your social security number: 234 00 7891

IF YOU DON'T HAVE A LABEL, MAKE SURE YOU PLACE YOUR SSN HERE.

Please see instructions on the back. Also, see the Form 1040EZ booklet.

Presidential Election Campaign (see page 9) — Do you want $1 to go to this fund? Note: *Checking "Yes" will not change your tax or reduce your refund.* ▶ Yes [X] No [ ]

TO CONTRIBUTE TO THE PRESIDENTIAL CAMPAIGN FUND, BE SURE TO MARK THIS BOX "YES."

		Dollars	Cents
Report your income	1 Total wages, salaries, and tips. This should be shown in Box 10 of your W-2 form(s). (Attach your W-2 form(s).)	13,574	.00
Attach Copy B of Form(s) W-2 here. Attach tax payment on top of Form(s) W-2.	2 Taxable interest income of $400 or less. If the total is more than $400, you cannot use Form 1040EZ.	349	.00
	3 Add line 1 and line 2. This is your **adjusted gross income.**	13,923	.00
Note: You must check Yes or No.	4 Can your parents (or someone else) claim you on their return? [ ] **Yes.** Do worksheet on back; enter amount from line E here. [X] **No.** Enter 5,300.00. This is the total of your standard deduction and personal exemption.	5,300	.00
	5 Subtract line 4 from line 3. If line 4 is larger than line 3, enter 0. This is your **taxable income.**	8,623	.00
Figure your tax	6 Enter your Federal income tax withheld from Box 9 of your W-2 form(s).	1,537	.00
	7 **Tax.** Use the amount on **line 5** to find your tax in the tax table on pages 14-16 of the booklet. Enter the tax from the table on this line.	1,294	.00
Refund or amount you owe	8 If line 6 is larger than line 7, subtract line 7 from line 6. This is your **refund.**	243	.00
	9 If line 7 is larger than line 6, subtract line 6 from line 7. This is the **amount you owe.** Attach your payment for full amount payable to "Internal Revenue Service." Write your name, address, social security number, daytime phone number, and "1990 Form 1040EZ" on it.		.00

ROUND OFF THIS AND ALL OTHER AMOUNTS ON THE FORM TO THE NEAREST DOLLAR. THIS REDUCES THE CHANCE OF MATH ERRORS.

IF YOUR TAXABLE INTEREST INCOME IS MORE THAN $400, YOU *CANNOT* USE THIS FORM.

IF THIS AMOUNT IS $50,000 OR MORE, YOU CANNOT USE THIS FORM.

FILL IN LINE 8 IF LINE 6 IS LARGER THAN LINE 7. THIS IS YOUR REFUND.

IF LINE 7 IS LARGER THAN LINE 6, THE AMOUNT YOU OWE GOES ON LINE 9.

Sign your return — Keep a copy of this form for your records.

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and complete.

Your signature — Date

x Jade Arlene Roberts 2-4-91

For IRS Use Only—Please do not write in boxes below.

For Privacy Act and Paperwork Reduction Act Notice, see page 4 in the booklet. Form 1040EZ (1990)

1040A– DO IT YOURSELF

Your tax instruction package contains the information needed to complete the form. This signal Sheet is simply an aid. It alerts you to things you don't want to miss.

If you find it helpful, please use it along with your tax instructions.

USE YOUR PEEL-OFF LABEL FROM THE FRONT OF THE TAX PACKAGE YOU RECEIVED IN THE MAIL. IF ANYTHING IS WRONG ON THE LABEL, MAKE THE CORRECTION RIGHT ON THE LABEL

FOR MARRIED FILING JOINTLY FILERS: USE THE SEPARATE LINE FOR SPOUSE'S FULL NAME IF NO LABEL HAS BEEN PROVIDED.

IF YOUR DEPENDENT WAS TWO YEARS OR OLDER ON DECEMBER 31, 1990, ENTER HIS OR HER SOCIAL SECURITY NUMBER HERE.

ROUND OFF TO THE NEAREST DOLLAR. THIS REDUCES THE CHANCE OF MATH ERRORS.

COMPLETE THE APPLICABLE WORKSHEET IN THE INSTRUCTIONS TO FIGURE YOUR IRA DEDUCTION FOR THIS YEAR.

Form **1040A** — Department of the Treasury—Internal Revenue Service — **U.S. Individual Income Tax Return 1990** — OMB No. 1545-0085

Step 1 Label (See page 14.) Use IRS label. Otherwise, please print or type.

LABEL HERE

Your first name and initial: RAYMOND H. — Last name: JONES
If a joint return, spouse's first name and initial: ETHEL M. — Last name: SMITH
Home address (number and street). (If you have a P.O. box, see page 14.): 123 GOH ST — Apt. no.
City, town or post office, state, and ZIP code. (If you have a foreign address, see page 14.): TIGER, AZ 87654

Your social security no.: 012 00 5678
Spouse's social security no.: 123 00 6789

For Privacy Act and Paperwork Reduction Act Notice, see page 3.

Presidential Election Campaign Fund (see page 15)
Do you want $1 to go to this fund? ☒ Yes ☐ No
If joint return, does your spouse want $1 to go to this fund? ☒ Yes ☐ No
Note: *Checking "Yes" will not change your tax or reduce your refund.*

Step 2 Check your filing status (Check only one.)

1 ☐ Single. (See page 16 to find out if you can file as head of household.)
2 ☒ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security number above and spouse's full name here ▶
4 ☐ Head of household (with qualifying person). (See page 16.) If the qualifying person is your child but not your dependent, enter this child's name here ▶
5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 17.)

Step 3 Figure your exemptions (See page 17.)

6a ☒ **Yourself** } If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a. But be sure to check the box on line 18b on page 2.
6b ☒ **Spouse** }

No. of boxes checked on 6a and 6b: 2

c Dependents: 1. Name (first, initial, and last name)	2. Check if under age 2	3. If age 2 or older, dependent's social security number	4. Dependent's relationship to you	5. No. of months lived in your home in 1990
WILLIAM L. SMITH	✓		SON	12
TONI K.D. JONES		234 00 7890	DAUGHTER	12

No. of your children on 6c who:
- lived with you: 2
- didn't live with you due to divorce or separation (see page 21):

No. of other dependents listed on 6c:

d If your child didn't live with you but is claimed as your dependent under a pre-1985 agreement, check here ▶ ☐
• Total number of exemptions claimed. — Add numbers entered on lines above: 4

Step 4 Figure your total income

Attach Copy B of your Forms W-2 and W-2P here.
Attach check or money order on top of any Forms W-2 or W-2P.

7 Wages, salaries, tips, etc. This should be shown in Box 10 of your W-2 form(s). (Attach Form(s) W-2.) — 7 — 35,500 00
8a **Taxable** interest income (see page 23). (If over $400, also complete and attach Schedule 1, Part I.) — 8a — 300 00
b **Tax-exempt** interest. (DO NOT include on line 8a.) 8b
9 Dividends. (If over $400, also complete and attach Schedule 1, Part II.) — 9 — 50 00
10a Total IRA distributions. 10a — 10b Taxable amount (see page 24). — 10b
11a Total pensions and annuities. 11a — 11b Taxable amount (see page 25). — 11b
12 Unemployment compensation (insurance) from Form(s) 1099-G. — 12 — 150 00
13a Social security benefits. 13a — 13b Taxable amount (see page 28). — 13b
14 Add lines 7 through 13b (far right column). This is your **total income.** ▶ 14 — 36,000 00

Step 5 Figure your adjusted gross income

15a Your IRA deduction from applicable worksheet. 15a
b Spouse's IRA deduction from applicable worksheet. **Note:** *Rules for IRAs begin on page 30.* 15b
c Add lines 15a and 15b. These are your **total adjustments.** — 15c
16 Subtract line 15c from line 14. This is your **adjusted gross income.** (If less than $20,264, see "Earned income credit" on page 38.) ▶ 16 — 36,000 00

Step 6 Figure your standard deduction, exemption amount, and taxable income

17 Enter the amount from line 16. — 17 — 36,000 00
18a Check if: ☐ You were 65 or older ☐ Blind; ☐ Spouse was 65 or older ☐ Blind — Enter number of boxes checked ▶ 18a ☐
b If your parent (or someone else) can claim you as a dependent, check here ▶ 18b ☐
c If you are married filing separately and your spouse files Form 1040 and itemizes deductions, see page 34 and check here ▶ 18c ☐
19 **Enter your standard deduction. See page 35 for the chart (or worksheet) that applies to you. Be sure to enter your standard deduction here.** — 19 — 5,450 00
20 Subtract line 19 from line 17. (If line 19 is more than line 17, enter -0-.) — 20 — 30,550 00
21 Multiply $2,050 by the total number of exemptions claimed on line 6e. — 21 — 8,200 00
22 Subtract line 21 from line 20. (If line 21 is more than line 20, enter -0-.) This is your **taxable income.** ▶ 22 — 22,350 00

IF YOU CHECK THE BOX ON LINE 18b, COMPLETE THE WORKSHEET IN THE INSTRUCTION BOOKLET. OTHERWISE, USE THE CHARTS FOR YOUR 1990 STANDARD DEDUCTION.

Step 7 Figure your tax, credits, and payments

If you want IRS to figure your tax, see the instructions for line 22 on page 36.

23 Find the tax on the amount on line 22. Check if from: ☐ Tax Table (pages 49–54) or ☐ Form 8615 (see page 36) — 23 — 3,356 00
24a Credit for child and dependent care expenses. Complete and attach Schedule 2. 24a — 480 00
b Credit for the elderly or the disabled. Complete and attach Schedule 3. 24b
c Add lines 24a and 24b. These are your **total credits.** — 24c — 480 00
25 Subtract line 24c from line 23. (If line 24c is more than line 23, enter -0-.) — 25 — 2,876 00
26 Advance earned income credit payments from Form W-2. — 26
27 Add lines 25 and 26. This is your **total tax.** ▶ 27 — 2,876 00
28a Total Federal income tax withheld. (If any is from Form(s) 1099, check here ▶ ☐.) 28a — 2800 00
b 1990 estimated tax payments and amount applied from 1989 return. 28b
c **Earned income credit.** See page 38 to find out if you can take this credit. 28c
d Add lines 28a, 28b, and 28c. These are your **total payments.** ▶ 28d — 2,876 00

IF YOU ARE ELIGIBLE, YOU CAN CLAIM THE CHILD CARE CREDIT ON YOUR 1040A. COMPLETE AND ATTACH SCHEDULE 2. YOU *MUST* INCLUDE THE CARE PROVIDER'S IDENTIFYING NUMBER ON THE SCHEDULE.

Step 8 Figure your refund or amount you owe

29 If line 28d is more than line 27, subtract line 27 from line 28d. This is the amount you **overpaid.** — 29
30 Amount of line 29 you want **refunded to you.** — 30
31 Amount of line 29 you want **applied to your 1991 estimated tax.** 31
Attach check or money order on top of Form(s) W-2, etc. on page 1.
32 If line 27 is more than line 28d, subtract line 28d from line 27. This is the **amount you owe.** Attach check or money order for full amount payable to "Internal Revenue Service." Write your name, address, social security number, daytime phone number, and "1990 Form 1040A" on it. — 32 — 76 00
33 Estimated tax penalty (see page 42). 33

Step 9 Sign your return

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

Keep a copy of this return for your records.

Your signature: Raymond H Jones — Date: 2-4-91 — Your occupation: SALESPERSON
Spouse's signature (if joint return, BOTH must sign): Ethel M. Smith — Date: 2-4-91 — Spouse's occupation: TEACHER

Paid preparer's use only

Preparer's signature — Date — Check if self-employed ☐ — Preparer's social security no.
Firm's name (or yours if self-employed) and address — E.I. No. — ZIP code

IF YOU FILE A JOINT RETURN, YOUR SPOUSE MUST ALSO ENTER HIS/HER OCCUPATION AND SIGN AND DATE THE RETURN.